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Test Booklet Series

**TEST BOOKLET**

**C**

**GENERAL STUDIES (P) 2022 – Test – 3490**

**Time Allowed: Two Hours** **Maximum Marks: 200**

## INSTRUCTIONS

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES **NOT** HAVE ANY UNPRINTED OR TURN OR MISSING PAGES OR ITEMS, ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.

2. ENCODE CLEARLY THE TEST BOOKLET SERIES **A, B, C** OR **D** AS THE CASE MAY BE IN THE APPROPRIATE PLACE IN THE ANSWER SHEET.

3. You have to enter your Roll Number on the Test Booklet in the Box provided alongside. **Do NOT** write anything else on the Test Booklet.

4. This Test Booklet contains **100** items (Questions). Each item is printed in **English.** Each item comprises four responses (answers). You will select the response which you want to mark on the Answer Sheet. In case you feel that there is more than one correct response with you consider the best. In any case, choose **ONLY ONE** response for each item.

5. You have to mark all your responses ONLY on the separate Answer Sheet provided. See direction in the answers sheet.

6. All items carry equal marks. Attempt all items. Your total marks will depend only on the number of **correct responses** marked by you in the answer sheet. For **every incorrect** response **1/3rd of the allotted marks** will be deducted.

7. Before you proceed to mark in the Answer sheet the response to various items in the Test booklet, you have to fill in some particulars in the answer sheets as per instruction sent to you with your Admission Certificate.

8. After you have completed filling in all responses on the answer sheet and the examination has concluded, you should hand over to Invigilator only the answer sheet. You are permitted to take away with you the Test Booklet.

9. Sheet for rough work are appended in the Test Booklet at the end.

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**1.** Which of the following statements is/are correct about Regional Rural Banks (RRBs)?

1. They are supervised and regulated by NABARD.
2. Share of Central government is largest in RRBs.
3. Capital Adequacy Ratio norms are not applicable to it.

Select the correct answer using the code given below.

(a) 1, 2 and 3
(b) 3 only
(c) 2 and 3 only
(d) 1 and 2 only

**2.** Consider the following statements regarding Investor Education Protection Fund (IEPF) :

1. It is administered by the Securities and Exchange Board of India (SEBI).
2. It is funded through annual budgetary contributions.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**3.** Consider the following statements with regards to the Revenue Expenditure in budget 2021-22:

1. It includes payment of salaries and pensions.
2. It does not result in the creation of assets.
3. Capital expenditure in India is higher than revenue expenditure.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

**4.** Which of the following financial instruments gives the buyer the right to buy and the seller the obligation to sell?

(a) Call Option
(b) Put Option
(c) Swap
(d) Futures contract

**5.** Which of the following activities is/are outside the scope of Goods and Service Tax?

1. Functions performed by the members of Parliament and State Legislatures.
2. Services of funeral, burial, crematorium or mortuary.
3. Selling of lottery ticket.

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 only
(c) 3 only
(d) 1, 2 and 3

**6.** With reference to disguised unemployment, which of the following statements is ***not*** correct?

(a) It refers to a situation where any individual or a segment of a population is not employed at full capacity.
(b) It is unemployment that does not affect aggregate output.
(c) Engagement of surplus in the labor force in a given work leads to disguised unemployment.
(d) A housewife working on daily chores without a wage can be characterised as disguised unemployment.


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**7.** Recently seen in the news InFinity Forum is related to:

(a) Meeting of leaders and industrialists to curb post CoVID effects in global workforce

(b) Forum held in the backdrop of Indian Science Congress highlighting the evolution of black body radiations

(c) Leadership forum to promote Fintech's role in inclusive growth

(d) NASA's program to promote scientific temperament amongst the tribal children in India and Africa

**8.** Recently seen in the news 'Apretude' is related to:

(a) First injectable drug for reducing risk to acquiring HIV.

(b) Recently developed RADAR system by Defence Research Development Organization.

(c) Asteroid protection missile launched by European Space Agency

(d) A Malware detected in website of Ministry of Power.

**9.** For income accounting, the domestic territory of a country includes which of the following?

1. Territory within the political frontiers
2. Oil and natural gas rigs operated by the country in international waters
3. Embassies of other countries located on its own territory

Select the correct answer using the code given below.

(a) 1 only

(b) 1 and 2 only

(c) 2 and 3 only

(d) 1 and 3 only

**10.** Consider the following statements regarding the 'transaction demand' for money in an economy:

1. It is directly proportional to the real GDP.
2. It is inversely proportional to the price level.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

**11.** Which of the following could lead to inflation in the Indian economy?

1. Rising global inflation
2. Hike in interest rates in the economy
3. Devaluation of Indian rupee

Select the correct answer using the code given below.

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

**12.** Recently, the Securities and Exchange Board of India (SEBI) has approved the framework for Social Stock Exchange. In this context, consider the following statements:

1. Social enterprises having social intent and impact can utilize the Social Stock Exchange platform for their funding requirements.
2. Social audit shall be mandated for social enterprises raising funds on Social Stock Exchange.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2



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**13.** Consider the following pairs:

| *Reports* | | *Published by* |
|---|---|---|
| 1. World Migration Report | : | Amnesty International |
| 2. World Inequality Report | : | Oxfam |
| 3. Worldwide Cost of Living Index | : | Economic Intelligence Unit |

Which of the pairs given above is/are correctly matched?

(a) 2 and 3 only
(b) 1, 2 and 3
(c) 1 only
(d) 3 only

**14.** Which of the following is entrusted with the responsibility of preparation of outcome budget for all Central Ministries/ Departments in India?

(a) Budget division under Department of Economic Affairs
(b) Public Finance Division under Department of Expenditure
(c) Financial Intelligence Unit, India (FIU-IND)
(d) Department of Revenue, Ministry of Finance

**15.** Recently seen in the news *Log4Shell* is related to:

(a) Initiative of the Ministry of Corporate affairs against the Shell companies.
(b) Collaborative effort to boost shellfish productivity under the Pradhan Mantri Matsya Sampada Yojana.
(c) Recently detected software based computer vulnerability.
(d) Latest bank accounting method under the BASEL norms.

**16.** Which among the following is/are the method to calculate the National Income in an economy?

(a) Measuring the aggregate value of factor payments
(b) Measuring the aggregate value of goods and services produced by firms
(c) Measuring the aggregate value of spending received by the firms
(d) All statements (a), (b), (c) and (d) are correct.

**17.** Consider the following statements:

1. Nominal GDP is the value of GDP at the current prevailing prices.
2. Real GDP is calculated in a way such that the goods and services are evaluated at constant prices.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

**18.** With reference to Fiscal policy in India, consider the following statements:

1. It primarily deals with the supply of money in the economy and the prevailing rates of interest.
2. While the Government deals with fiscal policy, the RBI is responsible for Monetary Policy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2


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**19.** Which of the following best describes Skewflation?

(a) It refers to a sustained, across-the-board price increase in an economy.

(b) It is the change in the costs of goods and services excluding most volatile components.

(c) It refers to the inflation caused when aggregate demand in an economy strongly outweighs the aggregate supply.

(d) It is a situation in which price levels of a few goods increase at a faster rate compared to others.

**20.** Recently seen in the news VIHANGAM is related to:

(a) Cultural exchange program signed between India and Nepal.

(b) Ayurvedic treatment proposed for the mutated coronavirus.

(c) Supersonic cruise control missile developed by DRDO.

(d) Portal for real time monitoring of mining activities.

**21.** Consider the following statements regarding Sweat Equity shares:

1. Sweat Equity shares are shares issued by a company to its directors or employees for non-cash consideration.
2. In India, companies are prohibited from issuing sweat equity shares.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

**22.** Consider the following statements regarding the 'Retail Direct scheme' launched by the Reserve Bank of India (RBI):

1. This scheme facilitates a person to directly open an account with RBI for purchasing government securities.
2. Under this scheme access to primary issuance of government securities will be given to the account holders.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

**23.** With reference to the Global Health Security Index 2021, Consider the following statements:

1. The Global Health Security Index is released annually by the World Health Organization.
2. China has the lowest index score amongst the BRICS countries.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

**24.** Consider the following statements about the speculative demand for money in the economy:

1. It is inversely related to the rate of interest.
2. In a situation of liquidity trap, it is infinite.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2



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**25.** In the context of the recent initiative towards tokenization of card payments by RBI, consider the following statements regarding tokenization:

1. Tokenisation and de-tokenization can be performed only by the authorized card network.
2. It is mandatory for transactions on e-commerce platforms.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**26.** With reference to the National Oxygen Stewardship Program, consider the following statements:

1. The initiative aims to empower all healthcare workers engaged in oxygen management and administration.
2. It is launched by the NITI Aayog under Atal Innovation Mission.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**27.** With reference to the Government Securities Acquisition Programme (G-SAP), consider the following statements:

1. Under this program, RBI purchases the Government Securities from the market irrespective of the market sentiment.
2. It may reduce borrowing cost of the government.
3. It tends to depreciate the value of the Indian currency.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

**28.** With reference to the *'Dare to Dream'* Challenge, consider the following statements:

1. It is a global contest to support startups and innovations in space technology.
2. It is a collaborative effort between NASA and ISRO.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**29.** How does the Reserve Bank of India discharge its statutory obligation of being 'Banker to Government'?

1. It maintains the Principal Accounts of Central as well as State Governments.
2. It is the aggregator for accounting of all GST collections.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**30.** Consider the following pairs:

| ***Term*** | | ***Meaning*** |
|---|---|---|
| 1. Tax avoidance | : | Illegal practice of not paying taxes, by not reporting income. |
| 2. Tax evasion | : | Enforcing the tax law on the general public in a harsh manner. |
| 3. Tax terrorism | : | Legitimate act of minimizing taxes, using methods approved by the Government. |

Which of the pairs given above is/are ***not*** correctly matched?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3


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**31.** Consider the following statements:

1. Disinflation is a situation of the general decline of the price levels of goods and services in an economy.
2. Reflation aims to stop deflation in an economy.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**32.** Which one of the following best defines a Regressive tax?

(a) A tax that takes a larger percentage of income from high-income groups than from low-income groups.
(b) A tax that takes the same percentage of income from all income groups.
(c) A tax that takes a larger percentage of income from low-income groups than from high-income groups.
(d) None of the above

**33.** Which of the followings can be categorised as high powered money?

1. Currency and coins held by the public
2. Deposits held by commercial banks with RBI
3. Deposits held by the Government of India with RBI
4. Vault cash of commercial banks

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 and 4 only
(d) 1, 2, 3 and 4

**34.** In the context of economics, Kuznets Curve shows the relationship between

(a) Unemployment and Inflation
(b) Tax rates and tax revenue
(c) Inequality and Income per capita
(d) Inflation and GDP Growth

**35.** Recently seen in news "Puneet Sagar Abhiyan" is related to:

(a) Counter piracy exercise hosted by the Indian Navy
(b) Deep Seabed Mining project of the Ministry of Earth Sciences
(c) NCC's awareness campaign about clean seashores and beaches
(d) Consortium of the Indian coastal states for disaster preparedness and prevention.

**36.** Which of the following statements is/are correct about RBI?

1. It receives and pays money on behalf of the various Government departments.
2. It act as banker to both central and state governments.
3. It acts as the 'lender of last resort' to the government.

Select the correct answer using the code given below.

(a) 1 and 3 only
(b) 1 and 2 only
(c) 3 only
(d) 1, 2 and 3

**37.** With reference to Union Budget, which of the following forms part of Revenue Receipts?

1. Disinvestment of Public Sector undertakings.
2. Income from sale of spectrum.
3. Grants-in-aid from foreign Governments.

Select the correct answer using the code given below.

(a) 2 and 3 only
(b) 1, 2 and 3
(c) 1 and 3 only
(d) 1 and 2 only


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**38.** Consider the following statements regarding progressive taxation:

1. It is a tax that takes a larger percentage of income from high-income groups than from low-income groups.
2. It helps in reducing inequalities of income and wealth.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**39.** In India, government securities can be bought and sold in the secondary market through

1. Negotiated Dealing System-Order Matching (NDS-OM)
2. Over the Counter (OTC)
3. Stock exchanges

Select the correct answer using the code given below.

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

**40.** Expenditures on which of the following are considered Transfer expenditure of the Government?

1. Pension Schemes
2. Subsidies
3. Unemployment allowances

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

**41.** Sterilization operations are likely to be carried out by RBI under which of the following conditions?

1. Huge inflow of foreign currency
2. Huge demand for forex by Indian business to invest abroad
3. Significant increase in domestic borrowings by the Union Government

Select the correct answer using the code given below.

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

**42.** Consider the following:

1. Clothes bought by kids
2. Coffee machines in the cafeteria
3. Tea leaves purchased by a restaurant

Which of the above are examples of Capital Goods?

(a) 1 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

**43.** With reference to the Sovereign Gold Bonds (SGBs), consider the following statements:

1. They are government securities issued by commercial banks on behalf of the Reserve Bank of India.
2. Only Indian citizens are eligible to invest in the SGBs.
3. Besides market-linked returns, it offers a fixed interest income to the investor.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) None


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**44.** With reference to the Usual Status approach to measuring unemployment in India, consider the following statements:

1. This approach to measuring unemployment uses seven days preceding the date of the survey as the reference period.
2. It fails to capture the short term fluctuations in unemployment caused due to seasonality in labour markets.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**45.** Which of the following is the objective of SRESHTA Yojana?

(a) It aims to enhance residential high school education for SC children.
(b) It aims to enhance the capabilities of MSME sector in India.
(c) It aims to create awareness around safe mining procedures.
(d) It aims to revamp the jute industry.

**46.** With reference to the India Young Water Professional Program, consider the following statements:

1. The India Young Water Professional Program is a part of the National Hydrology Project.
2. The program aims to focus on gender equality-based sustainable water management.
3. It is a collaborative effort of the World Bank and the Ministry of Jal Shakti.

Which of the statements given above is/are correct?

(a) 1 only
(b) 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

**47.** Recently seen in the news "The Global Gateway" is an initiative of:

(a) UNESCO
(b) European Union
(c) BRICS
(d) World Bank

**48.** Net National Product **(NNP)** is obtained from GDP by

(a) Deducting Net factor income from abroad and adding Depreciation
(b) Adding Net factor income from abroad and deducting Depreciation
(c) Adding Net factor income from abroad and adding taxes
(d) Adding Net factor income from abroad and deducting taxes

**49.** Arrange the following sources of income of the government in Budget 2021-22 according to their share in decreasing order.

1. Corporation tax
2. Goods and Services Tax (GST)
3. Borrowings and Liabilities
4. Customs

Select the correct answer using the code given below.

(a) 1-3-2-4
(b) 3-2-1-4
(c) 1-2-3-4
(d) 3-1-4-2

**50.** Which of the following best describes 'Twin Balance sheet Problem' often seen in news?

(a) It refers to the deficits faced by public sector banks and state governments because of various farmer's loan waiver schemes.
(b) It is the high fiscal deficit of both Central and state governments.
(c) It is a problem due to elimination of planned and unplanned categorization of government expenditures.
(d) It is two-fold problems for Indian economy which deals with overleveraged companies and bad-loan-encumbered-banks.


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**51.** While following a counter-cyclical fiscal policy, which of the following steps are taken by the government during a recession?

1. It increases expenditure on public projects.
2. It strives to raise taxes on individual income.
3. It increases total spending as a percentage of GDP.

Select the correct answer using the code given below.

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

**52.** Consider the following statements regarding GDP deflator:

1. If the value of the GDP deflator is greater than 1 then it means that the real GDP is higher than the nominal GDP.
2. GDP deflator takes into account all the goods and services that are used by the consumers of the country.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**53.** In the context of banking, which of the following statements best describes the 'bank spread'?

(a) It is the profit that is appropriated by the RBI through open market operations.
(b) It is the difference between repo rate and reverse repo rate.
(c) It is the difference between the borrowing and lending interest rates of the bank.
(d) It is the profit that is appropriated by the bank through investment in Government securities.

**54.** With reference to the Vernacular Innovation Program, consider the following statements:

1. The program is an initiative by the Ministry of Culture to protect languages across the country.
2. All 22 scheduled languages in the Indian Constitution are under the ambit of the Vernacular Innovation Program.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**55.** With reference to the recently conducted Targeted Long-Term Repo Operations (TLTRO) by the RBI, consider the following statements:

1. It is a type of repo operation to ensure long-term liquidity for specific sectors.
2. Funds raised by banks under TLTROs are exempted from the regulatory requirement of the cash reserve ratio.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**56.** Recently, the Securities and Exchange Board of India (SEBI) has introduced an optional T+1 settlement cycle for the markets. It means

(a) settlements will have to be cleared within one day of the actual transactions taking place.
(b) settlements will have to be cleared within one hour of the actual transactions taking place.
(c) settlements will have to be cleared within one week of the actual transactions taking place.
(d) settlements will have to be cleared within half day of the actual transactions taking place.


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**57.** Recently Consumer Price Index (CPI) has been declining but the Wholesale Price Index (WPI) has been rising, with reference to inflation and its targeting in India, consider the following statements:

1. Increase in inflation indicates a decrease in purchasing power of a given currency over time.
2. The Reserve Bank of India (RBI) uses Consumer Price Index (CPI) for inflation targeting in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 and 2

**58.** Which of the following statement best describes the difference between Near money and Dear money?

(a) Near money is readily and easily available for borrowing owing to low interest rates; Dear money is money that turns expensive to borrow owing to high interest rates.
(b) Near money is when money turns expensive for borrowing owing to high interest rates; Dear money is highly liquid assets that can be easily converted into cash.
(c) Near money is highly liquid assets that can be easily converted into cash; Dear money is when money turns expensive to borrow owing to high interest rates.
(d) Near money is highly liquid assets that can be easily converted into cash; Dear money is hard assets such immovable property.

**59.** With reference to the Imaging X-ray Polarimetry Explorer (IXPE), consider the following statements:

1. The observatory aims to study supernova remnants and black holes by orbiting around Earth's equator.
2. IXPE is a collaborative mission of NASA and the Italian Space Agency.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**60.** Which of the following activities is/are freely permitted under the Liberalized Remittance Scheme of RBI?

1. Trading in international foreign exchange abroad
2. Gifts or donations
3. Education abroad

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

**61.** Consider the following statements with regards to Zero Based Budgeting:

1. It is a method of budgeting in which all expenses must be justified for each new period starting from a zero base.
2. Unspent money allocated to a particular ministry is allowed to be carried forward in next financial year.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2


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**62.** Which of the following are the central level taxes that have been subsumed under Goods and Service Tax (GST)?

1. Octroi and Entry tax
2. Additional Excise Duty
3. Additional Customs Duty

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

**63.** Which of the following statements are correct regarding payment banks in India?

1. They are required to invest minimum 75% of its demand deposit balances in Government securities.
2. They are registered as a public limited company under the Companies Act, 2013.
3. They can not issue credit cards.

Select the correct answer using the code given below.

(a) 1 and 3 only
(b) 3 only
(c) 1 only
(d) 1, 2 and 3

**64.** Consider the following statements regarding a company looking to raise capital from the market:

1. In an Initial Public Offering (IPO) of a company no intermediaries are involved and shares are sold directly to the public.
2. Direct Listing as a method to raise capital is generally riskier than the IPO method.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**65.** With reference to ASIGMA (Army Secure IndiGeneous Messaging Application), consider the following statements:

1. ASIGMA is being deployed as a replacement of the Army Wide Area Network.
2. The web-based application has been designed and developed by the National Informatics Centre, Ministry of Electronics and Information Technology.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**66.** Which of the following statements best describes the 'seigniorage'?

(a) Profits government make by minting currency.
(b) Cost incurred by govt for printing currency.
(c) Operational cost incurred by RBI on 'Open Market Operations'.
(d) Cost incurred by government on printing new currency due to demonetisation.

**67.** Consider the following statements with reference to the Consumer Price Index:

1. Consumer Price Index excludes the prices of imported goods.
2. The weights of goods measured in the Consumer Price Index differ according to the production level of goods.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2


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**68.** With reference to Equalization Levy in India, consider the following statements:

1. Equalization Levy was introduced to tax payments for digital advertisement services received by resident companies with a permanent establishment in India.
2. Equalization Levy of 5% is levied on all e-commerce operators providing e-commerce supply to a person resident in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**69.** Consider the following statements with reference to the broad money (M3 and M4) in India:

1. It is most liquid and easiest for transactions.
2. Coins in circulation can be categorised as broad money.
3. It is more than 80% of GDP.

Which of the statements given above is/are correct?

(a) 2 and 3 only
(b) 3 only
(c) 1 and 2 only
(d) 1, 2 and 3

**70.** Which of the following are classified as the Centralised Payment Systems (CPS)?

1. Real Time Gross Settlement (RTGS)
2. Immediate Payment Service (IMPS)
3. National Electronic Fund Transfer (NEFT)
4. Cheque Truncation System (CTS)

Select the correct answer using the code given below.

(a) 1, 2 and 3 only
(b) 2 and 4 only
(c) 1 and 3 only
(d) 1, 2, 3 and 4

**71.** Which of the following statements is/are correct regarding Scheduled Banks in India?

1. They are listed in the second schedule of the Banking Regulation Act, 1949.
2. To qualify as a scheduled bank, a bank must have a reserve capital of Rs 5 lakh.
3. Non-scheduled banks are not entitled to borrow from the RBI for normal banking purposes in all circumstances.

Select the correct answer using the code given below.

(a) 1, 2 and 3
(b) 2 only
(c) 2 and 3 only
(d) 1 only

**72.** In the context of the budget of India, which of the following constitutes Non-debt Capital Receipts?

1. Recoveries of loans given to foreign governments
2. Receipts from Strategic Disinvestment of PSUs
3. Borrowings through issuance of Treasury Bills.

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

**73.** The relationship between tax rates and the amount of tax revenue collected by the Government is depicted in which of the following curves?

(a) Laffer Curve
(b) Phillips Curve
(c) Lorenz Curve
(d) Kuznets curve


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**74.** Consider the following statements regarding International Financial Services Centres Authority (IFSCA):

1. Finance Minister is the Ex-Officio Chairman of IFSCA.
2. IFSCA is a unified authority for the development and regulation of financial products, financial services, and financial institutions in the International Financial Services Centre in India.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**75.** Which of the following best defines "Effective Revenue Deficit"?

(a) It is the difference between incoming imports and outgoing exports in an annual financial year.
(b) It is the difference between fiscal deficit and interest payments made by the government on loans borrowed.
(c) It is the difference between revenue deficit and grants-in-aid given for creation of capital assets.
(d) It is the difference between the total revenue earned and total expenditure made by the government in an year.

**76.** Which of the following statements is/are correct regarding National Bank for Agriculture and Rural Development (NABARD)?

1. It was established under Banking Regulation Act, 1949.
2. It is regulated by RBI under RBI, Act 1934.
3. It provides loans to State Governments for developing rural infrastructure.

Select the correct answer using the code given below.

(a) 1, 2 and 3
(b) 1 and 3 only
(c) 1 and 2 only
(d) 3 only

**77.** Consider the following statements:

1. Unlike structural unemployment, frictional unemployment is a direct result of shifts in the economy.
2. Generally, structural unemployment is a temporary phenomenon, whereas frictional unemployment can last for years.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**78.** Consider the following statements regarding Ad Valorem tax:

1. It is taxed on goods on the basis of their measure, size and weight.
2. Property tax levied on real estate is a type of Ad Valorem tax.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**79.** Consider the following statements regarding Tobin Tax:

1. It is a tax levied on spot currency conversions to reduce exchange rate volatility.
2. It is a form of indirect tax.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2


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**80.** Which of the following are considered as Alternative Investment Funds in India as per the Securities and Exchange Board of India (SEBI)?

1. Angel Funds
2. Social Venture Funds
3. Hedge Funds
4. Mutual Funds

Select the correct answer using the code given below.

(a) 1, 2 and 3 only
(b) 2, 3 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2 and 4 only

**81.** Consider the following statements:

1. CPI covers both goods and services, while WPI covers only goods.
2. Food inflation is better reflected in WPI than in CPI.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**82.** In the context of Indian economy, which of the following statements is correct about the fiat money?

(a) It has intrinsic value.
(b) It is backed by a physical commodity, such as gold or silver.
(c) It can not lose or gain value.
(d) It can not be refused by citizen of the country for settlement of any kind of transaction.

**83.** In the context of Indian economy, consider the following statements:

1. Unemployment Rate is the ratio of number of unemployed persons to the total population.
2. Labour Force Participation Rate is obtained by dividing the number of persons in the labour force by total population.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**84.** With reference to Stagflation, consider the following statements:

1. Stagflation is a period of simultaneous increase in inflation and stagnation of economic output.
2. It is often characterized by raising employment rates in the economy.
3. Generally demand pull inflation is the main cause of inflationary conditions during this situation.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 and 2 only

**85.** Which of the following statements is/are ***not*** correct about Non-Banking Financial Company (NBFC)?

1. All NBFCs are registered under RBI, Act 1934.
2. They are not part of the payment and settlement system.
3. All NBFCs are regulated by SEBI.

Select the correct answer using the code given below.

(a) 1 and 3 only
(b) 2 only
(c) 1, 2 and 3
(d) 2 and 3 only


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**86.** With reference to Laser Communications Relay Demonstration (LCRD), recently seen in the news, consider the following statements:

1. It is NASA's first-ever laser-based communication system.
2. It would use infrared light.
3. Its payload will be hosted by a satellite in the geosynchronous orbit above the Earth.

Which of the statements given above is/are correct?

(a) 3 only
(b) 1 only
(c) 1, 2 and 3
(d) 1 and 3 only

**87.** Which of the following is/are the functions that operate through the Fiscal Policy of the Government?

1. Allocation of public goods
2. Income distribution
3. Provision of subsidies
4. Inflation targeting

Select the correct answer using the code given below.

(a) 1, 2 and 3 only
(b) 2 and 4 only
(c) 3 only
(d) 1, 2, 3 and 4

**88.** Which of the following items form a part of the Public Account of India?

1. Provident Funds
2. Reserve Funds Deposits made by outside agencies
3. Treasury Bills
4. Small Savings Schemes

Select the correct answer using the code given below.

(a) 1 and 4 only
(b) 1, 2 and 4 only
(c) 2 and 3 only
(d) 1, 2, 3 and 4

**89.** In the context of Indian economy, consider the statements regarding off-budget borrowings:

1. These are loans taken by a public institution which borrows on the directions of the central government.
2. In India, the state governments can resort to off-budget borrowings.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**90.** Consider the following statements:

1. To calculate National Disposable Income, current transfers from the rest of the world are excluded from Net National Product.
2. Rise in tax payments decreases the Personal Disposable Income of the public.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**91.** Consider the following statements regarding the National Stock Exchange of India:

1. It is the third-largest stock exchange in the world in terms of the market capitalization of listed companies.
2. It is a subsidiary of National Securities Depository Limited.
3. NIFTY 50 is the flagship index on the National Stock Exchange of India.

Which of the statements given above is/are ***not*** correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3


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**92.** Which of the following statements is/are correct regarding the Demand-Pull Inflation?

1. It exists when aggregate demand for a good or service outstrips aggregate supply.
2. In the case of demand-pull inflation, the economy breaks out of the Philips curve.

Select the correct answer using the code given below.

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**93.** Which of the following steps were recently taken by the government with regard to direct taxes in India to promote ease of doing business

1. Introduction of Dividend Distribution Tax (DDT) in budget 2020-21.
2. Exemptions from Angel-tax for certain start-ups.
3. Enactment of Direct Tax 'Vivad se Vishwas' Act, 2020.

Select the correct answer using the code given below.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

**94.** In the context of recently seen in news Renukaji Dam Project, consider the following statements:

1. The Renukaji Dam Project has been constructed over River Giri in Himachal Pradesh.
2. The cost of the water and power component of the project has been equally shared between the Centre and the basin states.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**95.** Consider the following statements:

1. Both surcharges and cess are tax on taxes levied for a specific purpose.
2. The Indian Constitution makes it an obligation for the Centre to share the proceeds of the surcharges and cess with State Governments.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

**96.** With reference to the recently launched National Stock Exchange (NSE Prime), consider the following statements:

1. NSE Prime is a corporate governance initiative launched by the Securities and Exchange Board of India.
2. It is mandatory for all the NSE-listed companies to adopt the NSE Prime framework.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2


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**97.** Recently seen in the news HEAT Abhyas is

(a) Initiative of the Ministry of Environment to combat forest fire generated Global Warming.

(b) Indigenous unmanned aerial target system.

(c) Code on air conditioning of buildings under BEE framework.

(d) Military exercise between India and USA.

**98.** Which of the following best describes the Work participation rate?

(a) It is the total number of people employed or seeking employment in a country.

(b) It is defined as the percentage of total workers (main and marginal) to total population.

(c) It is defined as the number of persons employed per thousand persons in the labour force.

(d) It is defined as the percent of the labor force that is without work.

**99.** Which of the following are the eligible instruments of Statutory Liquidity Ratio (SLR)?

1. Cash with the banks
2. Gold reserves
3. Investment in State Development Loans (SDLs) of the State Governments.

Select the correct answer using the code given below.

(a) 1 and 2 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

**100.** In the context of the recently launched Pralay missile, consider the following statements:

1. It is the longest range surface-to-surface missile in the inventory of the Indian Army.
2. It is a quasi- ballistic missile with a low trajectory.
3. It was developed by the Defence Research Development Organization.

Which of the statements given above is/are correct?

(a) 1, 2 and 3

(b) 1 and 3 only

(c) 2 only

(d) 3 only

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# ANSWERS & EXPLANATIONS
# GENERAL STUDIES (P) TEST – 3490 (2022)

**Q 1.C**

- **Regional Rural Banks were set up under the Regional Rural Banks Act, 1976** with a view to developing the rural economy by providing credit and other facilities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.
- The function of **financial regulation over RRBs is exercised by Reserve Bank and the supervisory powers have been vested with NABARD**. **Hence statement 1 is not correct.**
- **The equity of the RRBs was contributed by the Central Government, concerned State Government and the sponsor bank in the proportion of 50:15:35. Hence statement 2 is correct.**
- **CRAR norms or Capital Adequacy Ratio (CAR)** is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. It is decided by central banks and are **not applicable to RRBs**. However, the income recognition, asset classification and provisioning norms as applicable to commercial banks are applicable to RRBs. **Hence statement 3 is correct.**

**Q 2.D**

- **Investor Education and Protection Fund or IEPF is a fund set up under Section 205C of the Companies Act, 1956 by the Ministry of Corporate Affairs in 2016 to pool all the dividends of the Asset Management Companies, matured deposits, share application interests or money, debentures, interests, etc. that are unclaimed for seven years.**
- All the money collected from the mentioned sources has to be transferred to IEPF. Investors, who are trying to seek a refund for their unclaimed rewards can do so from the Investor Protection and Education Fund (IEPF).
- **Thus the source of funds is through unclaimed shares, dividends, matured deposits/debentures etc, and not budgetary allocations. Hence, statement 1 is not correct.**
- **Investor Education And Protection Fund Authority is entrusted with the responsibility of administration of the Investor Education Protection Fund (IEPF). Hence, statement 2 is not correct.**
- **Objectives of Investor Education and Protection Fund (IEPF)**
  - Educating investors about how the market operates.
  - Making investors educated enough so that they can analyze and make informed decisions.
  - Educating investors about the volatility of the markets.
  - Making investors realize their rights and various laws about Investing.
  - Promoting research and surveys to spread knowledge among the investors.

**Q 3.A**

- Revenue expenditures are short-term expenses used in the current period or typically within one year. Revenue expenditures include the expenses required to meet the ongoing operational costs of running a business, etc.
- **Statement 1 is correct:** Payment of salaries, wages, pensions, subsidies and interest fall in this category as revenue expenditure. Apart from spending on salaries and pensions, the government also spends on the construction of schools, colleges, hospitals, roads, bridges, railways, airports and seaports. It also incurs expenses on securing the country from internal and external enemies.
- **Statement 2 is correct:** It is a that part of government expenditure which does not result in the creation of assets.
- **Statement 3 is not correct:** The revenue expenditure in India is higher than Capital expenditure and usually more than 60% of the money spent goes into revenue expenditure.



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**BUDGET: 2021-22**

**TABLE 1: BUDGET AT A GLANCE**

(Rs. in crore)

| | Items | 2019-20 (Pre-Actuals) | 2020-21 (BE) | 2020-21 RE | 2021-22 (BE) |
|---|---|---|---|---|---|
| **A.** | Revenue Receipts | 52618 | 91100 | 75903 | 97141 |
| **B.** | Revenue Expenditure | 52964 | 62664 | 62486 | 68804 |
| | **Revenue Surplus (A-B)** | **-346** | **28436** | **13417** | **28337** |
| **C.** | Capital Receipts | 12411 | 10328 | 16438 | 11480 |
| **D.** | Capital Expenditure | 12065 | 38764 | 29855 | 39817 |
| | **Capital A/C Deficit (C-D)** | **346** | **-28436** | **-13417** | **-28337** |
| **E.** | Total Expenditure | 65029 | 101428 | 92341 | 108621 |
| **F.** | Total Receipts | 65029 | 101428 | 92341 | 108621 |
| **G.** | **Fiscal Deficit** | **10679** | **10240** | **15710** | **10647** |
| **H.** | **Unfunded/Additional resources required** | **0** | **0** | **0** | **0** |

'- 'sign indicates deficit

**Q 4.A**

- Options are based on the value of underlying security such as a stock. An options contract gives an investor the opportunity, but not the obligation, to buy or sell the asset at a specific price while the contract is still in effect. Investors do not have to buy or sell the asset if they decide not to do so.
- **There are only two kinds of options: Call options and Put options.**
- **A call option is an offer to buy a security at the agreed price before the agreement expires.**
  - **In this type of contract, the buyer has the right to buy the security but not the obligation to buy whereas the seller is obligated to sell if the buyer chooses to buy.**
- **A put option is an offer to sell a security at the agreed price. Here the buyer is obligated to buy if the seller chooses to sell.**
  - **In this type of contract, the seller has the right to sell the security but not the obligation to sell whereas the buyer is obligated to buy if the seller chooses to sell.**
- A futures contract is the obligation to sell or buy an asset at a later date at an agreed-upon price. There is no discretion involved here for either party. The contract has to be honored by both parties at the expiration of the contract.
- A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments.
- **Hence, option (a) is the correct answer.**

**Q 5.A**

- **Schedule III to the CGST Act, 2017** spells out activities that shall be treated as neither supply of goods nor supply of services.
- In other words, the following activities are **outside the scope of GST**:
  - Services by an employee to the employer in the course of or in relation to his employment
  - Services by any court (District Court, High Court and Supreme Court) or Tribunal established under any law for the time being in force.
  - **The functions performed by the Members of Parliament, Member of State Legislatures, Members of Panchayats, Members of Municipalities and Members of other local authorities**
  - Services of **funeral, burial, crematorium or mortuary** including transportation of the deceased.
  - Sale of land and, sale of building where the entire consideration has been received after completion certificate is issued or after its first occupation.
  - **Actionable claims, other than lottery, betting and gambling.** (Actionable claims are included in the definition of goods, However, schedule III provides that actionable claims other than lottery, betting and gambling shall be neither goods nor services.)



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- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.
- Supply of warehoused goods (warehoused goods as defined in the Customs Act) to any person before clearance for home consumption.
- Supply of goods by the consignee to any other person, by the endorsement of documents of title to the goods, after the goods have been dispatched from the port of original located outside India but before clearance for home consumption.

- The Supreme Court has said that **lottery, gambling and betting are taxable under the Goods and Services Tax (GST) Act**.
  - The court held that lottery, betting and gambling are "actionable claims" and come within the definition of 'goods' under Section 2(52) of the Central Goods and Services Tax Act, 2017.
- **Hence option (a) is the correct answer.**

**Q 6.D**

- **Disguised unemployment is also known as hidden unemployment, it is a situation where the labour that is employed in a job is not able to work at full capacity or potential.** It can be characterized by low productivity and it frequently accompanies informal labour markets and agricultural labour markets, which can absorb substantial quantities of labour. **It is unemployment that does not affect aggregate output.**
- Sometimes disguised unemployment could simply be a form of underemployment wherein the skills of a labour force are not utilised to their full capacity, that is, workers are employed but not in a very efficient way. But since workers engaged in the work are not regarded as unemployed it is often not counted in official unemployment statistics within the national economy.
- **Disguised unemployment is widely prevalent in developing countries whose large populations create a surplus labour force without the capacity to productively engaged it in economic activity.** Employment prevailing in Indian farmers can be considered as disguised unemployment. In rural areas, where agriculture is the main source of income, this kind of unemployment can be seen often. If a piece of land requires only three people to work on it and instead five people are working on it, then the two extra people are said to be in a situation of disguised unemployment.
- Any person engaged in daily household chores without being paid any wage cannot be characterised as engaged in disguised unemployment since household chores are not considered as employment.
- **Hence option (d) is the correct answer.**

**Q 7.C**

- **Recently the Prime Minister of India inaugurated the maiden edition of InFinity Forum**, **a thought leadership Forum on FinTech.**
- The event was hosted by International Financial Services Centres Authority (IFSCA), under the aegis of the Government of India in collaboration with GIFT City and Bloomberg. **Indonesia, South Africa, and the U.K. are partner countries in the first edition of the Forum**.
- InFinity Forum brought together the leading minds of the world in policy, business, and technology to discuss and come up with actionable insight into how technology and innovation can be **leveraged by the FinTech industry for inclusive growth and serving humanity at large.**
- The agenda of the Forum focussed on the theme of 'Beyond'; with various sub-themes including **FinTech beyond boundaries**, with governments and businesses focussing beyond the geographical boundaries in the development of global stack to promote financial inclusiveness; **FinTech beyond Finance**, by having convergence with emerging areas such as SpaceTech, GreenTech and AgriTech to drive sustainable development; and **FinTech Beyond Next**, with focus on how Quantum Computing could impact the nature of Fintech industry in the future and promote new opportunities.
- **Hence option (c) is the correct answer**

**Q 8.A**

- Recently, **the Food and Drug Administration (FDA) approved the world's first injectable medication for reducing the risk of acquiring HIV. The name of the drug is Apretude.** It is an **injectable drug. Its generic name is "cabotegravir extended-release injectable suspension".**
- The drug provides an alternative to daily pills for HIV prevention, like Truvada and Descovy. HIV patients will be given to take an oral formulation of cabotegravir, known as Vocabria, daily for four weeks before starting the injections, in order to see how well they tolerate this drug.
- Patients are required to be tested for HIV and confirmed negative before starting Apretude. They are also required to be confirmed negative before each injection in order to avoid the risk of developing drug-resistant HIV. **Hence option (a) is the correct answer**



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**Q 9.B**

- The domestic territory of a country includes:
  - **Territory living within political frontiers, including its territorial waters.**
  - Ships and aircraft operated by the country between political frontiers of two or more countries.
  - **Oil and natural gas rigs, fishing vessels and floating platforms operated by the country in international waters.**
  - **Embassies, military establishments and consulates of the country located in other countries of the world.**
- It does not include the embassies of other countries and international organisations located on its own territory.

**Q 10.A**

- The total value of annual transactions in an economy includes transactions in all intermediate goods and services and is clearly much greater than the nominal GDP. However, normally, there exists a stable, positive relationship between value of transactions and the nominal GDP. An increase in nominal GDP implies an increase in the total value of transactions and hence a greater transaction demand for money.
  - **Total demand for money in an economy is, therefore, composed of transaction demand and speculative demand. The transaction demand is directly proportional to real GDP and price level. Hence statement 1 is correct and 2 is not correct.**

**Q 11.C**

- Inflation is the rate at which prices increase over a given period. Typically, in India, the inflation rate is calculated on a year-on-year basis. In other words, if the inflation rate for a particular month is 10 per cent, it means that the prices in that month were 10 per cent more than the prices in the same month a year earlier.
- **When prices increase globally, it will lead to higher imported inflation. In other words, everything that India and Indians import will become costlier leading to an increase in inflation. Hence, option 1 is correct.**
- In general, when interest rates are low, the economy grows, and inflation increases. Conversely, when interest rates are high, the economy slows and inflation decreases. **A country's central bank typically hikes the interest rates in the economy to contain inflation.** By doing so, it incentivises people to spend less and save more because saving becomes more profitable as interest rates go up. As more and more people choose to save, money is sucked out of the market and the inflation rate moderates. **Hence, option 2 is not correct.**
- A devaluation of currency leads to a decline in the value of a currency making exports more competitive and imports more expensive. Generally, a devaluation is likely to contribute to inflationary pressures because of higher import prices and rising demand for exports. **Hence, option 3 is correct.**

**Q 12.C**

- The proposal to set up Social Stock Exchange (SSE) was first floated during the Union Budget in 2019.
- **SSE functions as a regulated funding platform to allow For-Profit Social Enterprises (FPEs) and not-for-profit organizations (NPO) with a social purpose, to raise funds.**
  - **Thus for-profit social enterprises, having social intent and impact as their primary goal will be allowed to use this platform for funding requirements. Hence, statement 1 is correct.**
- Need for an SSE
  - Improved market access to capital for enterprises that seek to deliver a positive change in society.
  - Reduced burden on the government in achieving the developmental goals by leveraging private sector participation.
  - Better project implementation as a performance of the enterprises listed on an SSE would be closely monitored.
- **Framework for SSE includes**
  - SSE will work under the regulatory ambit of SEBI as a separate segment of the existing stock exchanges.
  - Based on 15 broad eligible social activities approved by SEBI, NPOs engaged in those activities may raise funds through equity, Zero Coupon Zero Principal Bonds, Mutual Funds etc. after registering with SSE.
  - SEBI will engage with NABARD, SIDBI and stock exchanges towards instituting a capacity-building fund with a corpus of ₹100 crore.
  - **Social audit shall be mandated for Social enterprises raising funds/registered on SSE. Hence, statement 2 is correct.**



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**Q 13.D**

- **The World Migration Report (WMR) is the UN's International Organization of Migration's** flagship publication, having been produced biennially since 2000. The 2022 edition is the eleventh in the world migration report series. As per the new report, more people are being displaced by disasters (increased to 40.5 million in 2020, from 31.5 million in 2019) caused by the changing climate than conflicts, reversing a historical trend. **Hence pair 1 is not matched correctly**
- As per the '**World Inequality Report 2022**', India is among the most unequal countries in the world, with rising poverty and an 'affluent elite.' **This report is published by the World Inequality Lab of the Paris School of Economics.** The report highlights that the top 10% and top 1% in India hold 57% and 22% of the total national income respectively while the bottom 50% share has gone down to 13%. **Hence pair 2 is not correctly matched.**
- Recently, **the Worldwide Cost of Living report** has been released highlighting that Tel Aviv (Israel's capital) is the world's most expensive city to live in**. The report is compiled by the Economist Intelligence Unit (EIU).** It compares the cost of living indices in different cities. The 2021 Worldwide Cost of Living index tracks the cost of living across 173 global cities and compares the price of more than 200 everyday products and services. **Hence pair 3 is correctly matched.**

**Q 14.B**

- **Public Finance (Central) Division is primarily engaged with all issues relating to the Central Plan of the Government of India.** In this regard, this division is entrusted with the appraisal and approval of all public funded schemes and projects of the Central Ministries/ PSUs. This division is also concerned for constantly improving the quality of public expenditure though better scheme/project formulation, emphasis on outputs, deliverables, impact assessment and convergence approach. **It is also responsible for preparation of outcome budgets for all Central Ministries/Departments in consultation with the NITI Aayog.** It also communicates, in consultation with the Budget Division, the outlays for both Central Sector and Centrally Sponsored Schemes over a Finance Commission Cycle.

**Q 15.C**

- Recently, a **critical vulnerability named as Log4Shell was detected in a widely used open-source logging software Apache Log4J.** The vulnerability is based on an open-source logging library used in most applications by enterprises and even government agencies.
- The vulnerability is dubbed **Log4Shell and is officially CVE-2021-44228** (CVE number is the unique number given to each vulnerability discovered across the world). The vulnerability is serious because exploiting it could allow hackers to control java-based web servers and launch what is called 'remote code execution (RCE) attacks. In simple words, the vulnerability could allow a hacker to take control of a system.
- **Hence option (c) is the correct answer.**

**Q 16.D**

- The aggregate value of goods and services produced in an economy can be calculated by three methods.
- In the **product method,** we calculate the aggregate annual value of goods and services produced by the firms (if a year is the unit of time).
- An alternative way to calculate the GDP is by looking at the **demand side** of the products. This method is referred to as the **expenditure method**. In this GDP is equivalent to Sum total of all the final expenditure received by the firms in the economy.
- In the **Income method**, we calculate the aggregate value of all the factor payments.
- **Hence option (d) is the correct answer.**

**Q 17.C**

- If we measure the GDP of a country in two consecutive years and see that the figure for GDP of the latter year is twice that of the previous year, we may conclude that the volume of production of the country has doubled. But it is possible that only prices of all goods and services have doubled between the two years whereas the production has remained constant.
- Therefore, in order to compare the GDP figures (and other macroeconomic variables) of different countries or to compare the GDP figures of the same country at different points of time, we cannot rely on GDPs evaluated at current market prices. For comparison, we take the help of real GDP. **Real GDP** is calculated in a way such that the **goods and services are evaluated at some constant set of prices (or constant prices). Hence statement 2 is correct.**
- Since these prices remain fixed if the Real GDP changes we can be sure that it is the volume of production which is undergoing changes. **Nominal GDP,** on the other hand, is simply the value of GDP at the **current prevailing prices. Hence statement 1 is correct.**



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- **Nominal GDP can be greater or less than real GDP based on the price rise or decline in the economy.** A positive difference in nominal minus real GDP signifies inflation and a negative difference signifies deflation. In other words, when nominal is higher than real, inflation is occurring and when real is higher than nominal, deflation is occurring.

**Q 18.B**

- **Fiscal policy** is the policy under which the government uses the instruments of **taxation, public spending and public borrowing** to achieve various objectives of economic policy. It is concerned with effects of these on **income, production and employment.**
- While fiscal policy deals with the taxation and expenditure decisions of the government, **monetary policy deals with the supply of money in the economy and the rate of interest. Hence statement 1 is not correct.**
- In most modern economies, the government deals with fiscal policy while the **central bank is responsible for monetary policy. Hence statement 2 is correct.**

**Q 19.D**

- Skewflation' is a relatively new term to describe a category of price rise in which there is a price rise of one or a small group of commodities over a sustained period of time. Some goods and services are facing inflation, some none and some facing deflation.
- **Therefore, Skewflation means the skewness of inflation among different sectors of the economy where price levels of a few goods increase at a faster rate compared to others. Hence, option (d) is correct.**
- In India, food prices rose steadily during the last months of 2009 and the early months of 2010, even though the prices of non-food items continued to be relatively stable. As this somewhat unusual phenomenon stubbornly persisted, and policymakers conferred on how to bring it to an end, the term 'skewflation' made an appearance in internal documents of the Government of India, and then appeared in print in the Economic Survey 2009-10, Government of India, Ministry of Finance.
- A small skewflation, usually of up to 2%, may be natural for an economy growing rapidly. However, if such inflation rises to higher levels, government is forced to think of a policy cocktail, consisting of aggregate demand tightening, along with measures to improve the production and supply of goods.

**Q 20.D**

- Recently, **an internet-based platform called 'VIHANGAM' integrated with a Remotely Piloted Aircraft System (RPAS) at Mahanadi Coalfields Limited (MCL) was inaugurated.** The system consists of a Ground Control Station (GCS), an RPAS, an internet lease line of 40 Mbps, and VIHANGAM portal. The system **enables real-time transmission of aerial video of mining activities from mines to internet platforms which can be accessed through VIHANGAM portal** by authorized personnel only having ID and password. It has been deployed at two opencast mines of MCL namely Bhubaneswari and Lingaraj initially on a trial basis.
- **Hence option (d) is the correct answer**

**Q 21.A**

- As per Section 2(88) of the Companies Act, 2013 **"sweat equity shares" means such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash**, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called. **Hence, statement 1 is correct.**
- Sweat equity shares will be allowed to be issued for providing the know-how or making available rights in the nature of intellectual property rights or value additions.
- As per SEBI rules, **a company cannot issue sweat equity shares in excess of 15% of the already existing paid-up equity share capital** in a particular year or shares of the issue value of Rs.5 crores, whichever is higher. Also, the sweat equity shares in the company should not be issued more than 25% of the paid-up equity capital of that company at any time. **Hence, statement 2 is not correct.**
- Earlier the Securities and Exchange Board of India approved the merger of the SEBI (Share Based Employee Benefits) Regulations, 2014 (SBEB Regulations) and the SEBI (Issue of Sweat Equity) Regulations, 2002 (Sweat Equity Regulations) into the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The new regulations have widened the scope of employees who can be offered stock options, and brought in other key changes that will benefit the employees and listed companies issuing these options.



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**Q 22.C**

- As part of continuing efforts to raise retail participation in government securities and to improve ease of access, the RBI has launched 'RBI Retail Direct' scheme, a one-stop solution to facilitate investment in government securities (G-secs) by individual investors.
- **As per the provisions of the 'RBI Retail Direct' scheme, retail investors (individuals) will have the facility to open and maintain the 'Retail Direct Gilt Account' (RDG Account) with the RBI. "RDG account can be opened through an online portal provided for the purpose of the scheme.**
- **The online portal will give registered users access to primary issuance of G-secs and access to NDS-OM (Negotiated Dealing System-Order Matching system). Hence, both statements 1 and 2 are correct.**
    - The Reserve Bank introduced the Negotiated Dealing System-Order Matching system or NDS-OM as it is called, in August 2005. The NDS-OM is an electronic, screen based, anonymous, order driven trading system for dealing in Government securities. The Reserve Bank owns NDS-OM and CCIL maintains it. The platform is in addition to the existing facility of over-the-counter (OTC) or phone market in Government securities.
    - The NDS-OM brings transparency in secondary market transactions in Government securities. Members can place bids (buy orders) and offers (sell orders) directly on the NDS-OM screen.
- Government securities, for the purpose of this scheme include:
    - Government of India Treasury Bills
    - Government of India dated securities
    - Sovereign Gold Bonds (SGB)
    - State Development Loans (SDLs)

**Q 23.B**

- Recently, the Global Health Security (GHS) Index 2021 has been recently released. It is an assessment and benchmarking of health security and related capabilities across 195 countries. **It has been developed in partnership by the Nuclear Threat Initiative (NTI) and the Johns Hopkins Center. Hence statement 1 is not correct.**
- The GHS Index assesses countries' health security and capabilities across six categories.
    - Prevention: Prevention of the emergence or release of pathogens.
    - Detection and Reporting: Early detection and reporting for epidemics of potential international concern.
    - Rapid Response: Rapid response to and mitigation of the spread of an epidemic.
    - Health System: Sufficient and robust health system to treat the sick and protect health workers.
    - Compliance with International Norms: Commitments to improving national capacity, financing plans to address gaps, and adhering to global norms.
    - Risk Environment: Overall risk environment and country vulnerability to biological threats.
- **Rapid response to and mitigation of the spread of an epidemic.** Indicators in this category assess emergency preparedness and response planning, exercising response plans, emergency response operation, linking public health and security authorities, risk communication, access to communications infrastructure, and trade and travel restrictions. No countries scored in the top tier for this category, with 58% of countries scoring below average for rapid response to and mitigation of the spread of an epidemic.
- **China is the lowest scoring country in the BRICS group as per the index with an index score of 38.9 and a rank of 141 out of 195. India's score is 47.2 and is ranked 92. Hence statement 2 is correct.**

**Q 24.C**

- The price of a bond is inversely related to the market rate of interest.
    - Different people have different expectations regarding the future movements in the market rate of interest based on their private information regarding the economy. If you think that the market rate of interest should eventually settle down to 8 per cent per annum, then you may consider the current rate of 5 per cent too low to be sustainable over time. You expect interest rate to rise and consequently bond prices to fall. If you are a bond holder a decrease in bond price means a loss to you – similar to a loss you would suffer if the value of a property held by you suddenly depreciates in the market. Such a loss occurring from a falling bond price is called a capital loss to the bond holder. Under such circumstances, you will try to sell your bond and hold money instead. Thus speculations regarding future movements in interest rate and bond prices give rise to the speculative demand for money.
    - When the interest rate is very high everyone expects it to fall in future and hence anticipates capital gains from bond-holding. Hence people convert their money into bonds. Thus, speculative demand for money is low. When interest rate comes down, more and more people expect it to rise in the future



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and anticipate capital loss. Thus they convert their bonds into money giving rise to a high speculative demand for money.
    - **Hence speculative demand for money is inversely related to the rate of interest. Hence statement 1 is correct.**
- If supply of money in the economy increases and people purchase bonds with this extra money, demand for bonds will go up, bond prices will rise and rate of interest will decline. In other words, with an increased supply of money in the economy the price you have to pay for holding money balance, viz. the rate of interest, should come down. However, if the market rate of interest is already low enough so that everybody expects it to rise in future, causing capital losses, nobody will wish to hold bonds. Everyone in the economy will hold their wealth in money balance and if additional money is injected within the economy it will be used up to satiate people's craving for money balances without increasing the demand for bonds and without further lowering the rate of interest. Such a situation is called a liquidity trap. **The speculative money demand function is infinitely elastic here. Hence statement 2 is correct.**

**Q 25.A**

- **Tokenization** refers to the **replacement of actual card details with an alternate code** called the "token", which shall be unique for a combination of card, token requestor (i.e. the entity which accepts the request from the customer for tokenization of a card and passes it on to the card network to issue a corresponding token) and device (referred hereafter as "identified device").
- Conversion of the token back to actual card details is known as de-tokenization.
- A tokenized card transaction is considered safer as the actual card details are not shared with the merchant during transaction processing.
- The cardholder can get the card tokenized by initiating a request on the app provided by the token requestor. The token requestor will forward the request to the card network which, with the consent of the card issuer, will issue a token corresponding to the combination of the card, the token requestor, and the device.
- The customer need not pay any charges for availing this service.
- Tokenisation has been allowed through mobile phones and/or tablets for all use cases/channels (e.g., contactless card transactions, payments through QR codes, apps etc.)
- The feature of tokenization is currently restricted to mobile phones and/or tablets only.
- **Tokenisation and de-tokenization can be performed only by the authorized card network. Hence, statement 1 is correct.**
- **Normally, in a tokenized card transaction, parties/stakeholders involved are merchants, the merchant's acquirer, card payment network, token requestor, issuer and customer. However, an entity, other than those indicated, may also participate in the transaction.**
- **Actual card data, token and other relevant details are stored** in a secure mode by the authorized card networks.
- **Token requestor cannot store Primary Account Number (PAN), i.e., card number, or any other card detail. Card networks are also mandated to get the token requestor certified for safety and security that conforms to international best practice/globally accepted standards.**
- **A customer can choose whether or not to let his/her card be tokenized. Hence, statement 2 is not correct.**
- Customers have the option to register / de-register their card for a particular use case, i.e., contactless, QR code-based, in-app payments, etc.
- The registration for a tokenization request is done only with explicit customer consent through Additional Factor of Authentication (AFA), and not by way of a forced / default / automatic selection of check box, radio button, etc. Customers will also be given the choice of selecting the use case and setting-up of limits.
- A customer can request for tokenisation of any number of cards. For performing a transaction, the customer shall be free to use any of the cards registered with the token requestor app.

**Q 26.A**

- Recently, **the Ministry of Health and Family Welfare launched the National Oxygen Stewardship Program.** The initiative aims to empower all healthcare workers engaged in Oxygen management and administration with the essential knowledge and skills to ensure rational utilization and avoid any wastage of medical Oxygen, especially in resource constraint settings. **Hence statement 1 is correct and 2 is not correct**
- It envisages identifying **and train at least one "Oxygen Steward" in each district across the country.** These trained professionals would be responsible for leading the training on Oxygen therapy and



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management in their respective districts and also support audit of oxygen delivery and preparedness for a surge scenario.
- This will also train our participants to avoid wastage or overuse of oxygen in resource constraint settings including issues faced during Oxygen crisis, learnings, and averting further crisis situations.

**Q 27.D**

- **Government Securities Acquisition Programme (G-SAP):** The G-SAP is an unconditional and a structured Open Market Operation (OMO), of a much larger scale and size.
  - The word 'unconditional' here connotes that **RBI has committed upfront that it will buy G-Secs irrespective of the market sentiment. Hence, statement 1 is correct.**
- **Purpose of G-SAP:**
  - Management of liquidity in the economy and achieving a stable and orderly evolution of the yield curve.
    - A yield curve plots bond yields of similar bonds having differing maturity dates.
  - RBI infuses money supply into the economy by purchasing G-secs.
    - It keeps the yield of bonds under check which in turn **lowers the borrowing cost of the Government**. Lower cost of borrowings will assist the large-scale developmental projects like National infrastructure pipeline project. **Hence statement 2 is correct.**
- There is a contrary view presented by economists that **G-SAP tends to adversely affect the value of rupee**. There is a trade-off between a tumbling rupee and lower borrowing costs/low yields. Further, too much liquidity might shoot up the demand further driving up the rate of inflation. **Hence, statement 3 is correct.**
- **Note on Bond and Bond Yields**
  - Bond yield is the return an investor realizes on a bond.
  - Yield= Interest rate promised by the bond issuer/current market price of the bond.
  - Falling interest rates make increase bond prices and lowers the bond yields and vice versa.
  - A rise in bond yields in the market will bring the price of the bond down. A drop in bond yield would benefit the investor as the price of the bond will rise, generating capital gains.

**Q 28.D**

- The **Defence Research and Development Organisation (DRDO) has launched an innovation challenge 'Dare to Dream'. Hence statement 2 is not correct.**
- Dare to Dream is a Pan India **Innovation Contest launched for Emerging Technologies to promote individuals and startups for innovation in the defense and aerospace technologies** in the country. DRDO specifies various themes and invites innovative ideas under those themes. Best ideas are selected and awarded. **Hence statement 1 is not correct.**
- The winners are chosen after a formal evaluation by a committee of experts. Prize money, up to Rs 10 lakh for start-up and Rs 5 lakh for the individual category, is given to the winners. DRDO also supports awarded ideas to realize them into Prototypes through the Technology Development Fund scheme.
- Technology Development Fund Scheme: TDF Scheme is executed by DRDO under the 'Make in India' initiative. The Government has approved TDF Scheme to encourage industries especially MSMEs and Startups to develop various defense technologies. The scheme operates in Grants-in-Aid Mode. The scheme was launched in Sep 2016. At present, a total of 37 projects have been awarded to various industries especially MSMEs and Startups under the TDF scheme.

**Q 29.C**

- **In terms of Section 20 of the RBI Act 1934, RBI has the obligation to:**
  - undertake the receipts and payments of the Central Government
  - carry out the exchange, remittance and other banking operations
  - manage the public debt of the Union.
- As per Section 21 of the Act,
  - RBI has the right to transact Government business of the Union in India.
  - State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments
- **RBI statutory obligation of being 'Banker to Government'**
  - RBI carries out the general banking business of the governments through its own offices and commercial banks, both public and private, appointed as its agents.
  - **It maintains the Principal Accounts of Central as well as State Government. Hence statement 1 is correct.**



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- It has a well-structured arrangement for revenue collection as well as payments on behalf of Government across the country.
- It provides short-term credit to the government to meet any shortfalls in its receipts over its disbursements.
- It provides short-term credit to state governments as ways and means advances.
- It is charged with the responsibility of managing the public (i.e., the government) debt.
  - It manages all new issues of government loans, services the public debt outstanding, and nurses the market for government securities.
- **It is the aggregator for accounting of all GST collections in the respective government accounts. Hence statement 2 is correct.**

- The Reserve Bank of India is the custodian of the country's foreign exchange reserves. It is vested with the responsibility of managing their investment. This provision is laid down in the Reserve Bank of India Act, 1934.

**Q 30.D**

- **Tax evasion** is the illegal practice of not paying taxes, by not reporting income, reporting expenses not legally allowed, or by not paying taxes owed. **Hence pair 1 is not correctly matched**.
  - It is considered tax evasion if you knowingly fail to report income.
- **Tax avoidance** is the legitimate minimizing of taxes, using methods approved by the government. **Hence pair 2 is not correctly matched.**
  - Businesses avoid taxes by taking all legitimate deductions and by sheltering income from taxes through better tax planning.
  - It involves making use of the loopholes in tax laws to one's own advantages to reduce the tax burden.
  - Unlike Tax evasion, tax avoidance is legal practice.
  - However, it is unadvisable as the taxpayer has defeated the intention of law maker and used this to his own advantage.
- In any taxation system, the government's intent is to maximize revenue, whereas taxpayers look for low tax rates and rules that are easy to comply.
- However, when government puts illegal and extra-legal pressure on taxpayers to extract more tax from honest taxpayer, this enthusiasm of government is referred to as **tax terrorism.**
- Examples of tax terrorism:
  - **Enforcing the tax law on the general public in a harsh manner with taxman perceiving every transaction with suspicion. Hence pair 3 is not correctly matched.**
  - Retrospectively amending the Income-tax Act, 1961 affecting business confidence in the country.
  - Imposition of Tax targets on Tax Inspectors
  - Denying refunds or passing adverse adjudication orders in the name of realizing target of revenue.
  - General Anti Avoidance Rule (GAAR)

**Q 31.B**

- Inflation is the rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.
- **Deflation, conversely, is the general decline in prices for goods and services, indicated by an inflation rate that falls below zero percent.** During deflation, the purchasing power of currency rises over time.
- On the other hand, Disinflation doesn't refer to the direction of prices (as inflation and deflation do). It refers to the rate of change: It's a slowdown in the rate of inflation. Disinflation shows the rate of change of inflation over time. **The inflation rate is declining over time, but it remains positive (therefore price levels continue to rise even though their rate of growth declines). Hence, statement 1 is not correct.**
- Reflation is a fiscal or monetary policy designed to expand output, stimulate spending, and curb the effects of deflation, which usually occurs after a period of economic uncertainty or a recession. The term may also be used to describe the first phase of economic recovery after a period of contraction.
- **Reflation aims to stop deflation—the general decline in prices for goods and services that occurs when inflation falls below 0%. Reflation policies typically include reducing taxes, lowering interest rates etc. Hence, statement 2 is correct.**

**Q 32.C**

- Taxes can be categorized as either regressive, proportional, or progressive, and the distinction has to do with the behaviour of the tax as the taxable base (such as a household's income or a business' profit) changes.



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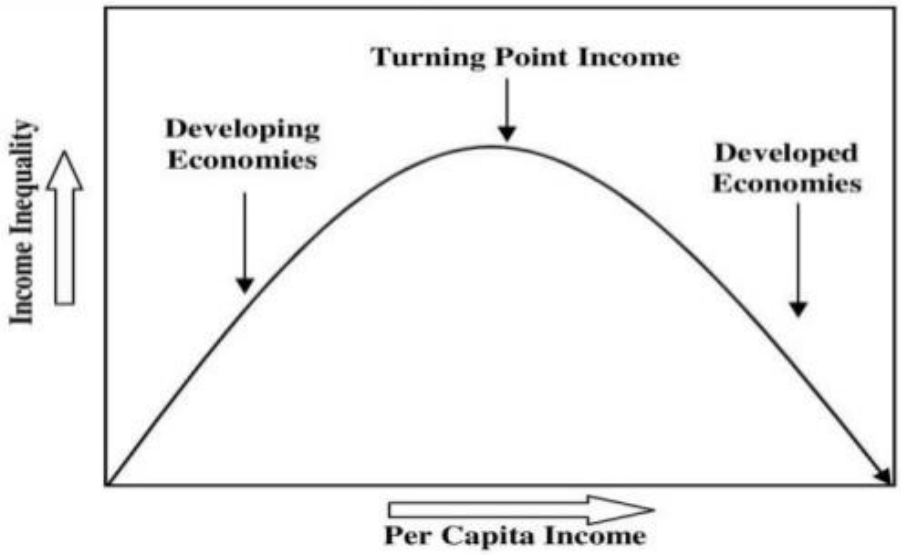
- **Progressive tax:** A tax that takes a larger percentage of income from high-income groups than from low-income groups.
- **Proportional tax:** A tax that takes the same percentage of income from all income groups.
- **Regressive tax:** A tax that takes a larger percentage of income from low-income groups than from high-income groups.
- **Degressive tax:** The rate of progression in taxation does not increase in the same proportion as the increase in income.
- **Hence option (c) is the correct answer.**

**Q 33.D**

- The total liability of the monetary authority of the country, RBI, is called the monetary base or high powered money.
- It consists of **currency (notes and coins in circulation with the public and vault cash of commercial banks)** and **deposits held by the Government of India and commercial banks with RBI.**
- **Vault cash-** Cash kept on hand in a depository institution's vault to meet day-to-day business needs.
- These items are claims which the general public, government or banks have on RBI and hence are considered to be the liability of RBI.
- **Hence option (d) is the correct answer.**

**Q 34.C**

- Simon Kuznets' work on economic growth and income distribution led him to hypothesize that industrializing **nations experience a rise and subsequent decline in economic inequality**, characterized as an inverted "U"—the "Kuznets curve." **Hence option (c) is the correct answer.**
- It is used to demonstrate the hypothesis that economic growth initially leads to greater inequality, followed later by the reduction of inequality.




**Q 35.C**

- **National Cadet Corps (NCC)** is carrying out a nationwide campaign called the **Puneet Sagar Abhiyan** to free seashores/beaches from plastic & other waste materials and increase awareness about the importance of keeping these clean.
- The aim of the month-long Campaign is to propagate the message of 'Importance of Clean Seashores/ Beaches' amongst the local population and future generations.
- The key objectives of the campaign are to clean the plastic waste along the seashores in coastal areas, to generate awareness and educate the target population about the measures for conservation and impact of plastic pollution along the sea beaches and to sensitize and mobilize the support of the local population towards prevention of pollution. **Hence option (c) is the correct answer.**

**Q 36.B**

- The origins of the Reserve Bank of India can be traced to 1926, when the Royal Commission on Indian Currency and Finance – also known as the Hilton-Young Commission – recommended the creation of a central bank for India to separate the control of currency and credit from the Government and to augment banking facilities throughout the country.



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- **Functions of the Reserve Bank**
  - formulation and execution of monetary policy
  - Management of currency
  - **Banker and Debt Manager to Central and State Governments**
  - **Management of foreign exchange reserves**
  - **Banker to Banks**
  - Regulation and supervision of the banking and non-banking financial institutions, including credit information companies
  - Foreign exchange management—current and capital account management
  - Oversight of the payment and settlement systems
- **As a banker to the Government, the Reserve Bank receives and pays money on behalf of the various Government departments. Reserve Bank appoints other banks to act as its agents for undertaking the banking business on behalf of the governments. Hence statement 1 is correct.**
- The Reserve Bank may also, by agreement, **act as the banker to a State Government.** To tide over temporary mismatches in the cash flow of receipts and payments, the Reserve Bank provides Ways and Means Advances to the State Governments. **Hence statement 2 is correct.**
- **As a Banker to Banks, the Reserve Bank also acts as the 'lender of last resort'.** It can come to the rescue of a bank that is solvent but faces temporary liquidity problems by supplying it with much needed liquidity when no one else is willing to extend credit to that bank. **Hence statement 3 is not correct.**

**Q 37.A**

- Government receipts are divided into two groups—Revenue Receipts and Capital Receipts.
- Revenue receipts are those receipts which neither create any liability for the government nor cause reduction in the assets of the government. It includes – Tax receipts and non tax receipts such as fees, fines, **income from sale of spectrum** and public enterprises, escheat and **Grants-in-aid from foreign Governments**. These are current income receipts of the government from all sources.
- Government receipts which either (i) create liabilities (e.g. borrowing) or (ii) reduce assets (e.g. disinvestment) are called capital receipts. Thus when govt. raises funds either by incurring a liability or by disposing off its assets, it is called a capital receipt. **Hence, disinvestment of PSUs is part of Capital receipts. Hence option (a) is the correct answer.**

**Q 38.C**

- A tax that takes a larger percentage of income from high-income groups than from low-income groups is called a **progressive tax. Hence statement 1 is correct.**
- Progressive taxation is the most popular owing to the following reasons:
- It leads to an equitable and just distribution of the burden of taxes as it imposes a higher tax burden on the rich.
- It helps in **reducing inequalities of income and wealth. Hence statement 2 is correct.**
- These are elastic as the revenue of the government increases substantially with the increase in the tax rate.
- It is productive because **the increase in income automatically brings in more revenue.**
- These are economical as the cost of tax collection does not increase with the increase in tax rates.

**Q 39.D**

- A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. I**t acknowledges the Government's debt obligation.** Such securities are short-term (usually called treasury bills, with original maturities of less than one year) or long-term (usually called Government bonds or dated securities with an original maturity of one year or more).
- A secondary market is a market where investors purchase securities or assets from other investors, **rather than from issuing entities** themselves.
- The primary market is the part of the capital market that deals with the issuance and sale of equity-backed securities to investors directly by the issuer.
- There is an active secondary market for Government Securities. The securities can be bought/sold in the secondary market either through
  - **Negotiated Dealing System-Order Matching (NDS-OM)**
  - **Over the Counter (OTC)**
  - **Stock exchanges**
- **Negotiated Dealing System-Order Matching (NDS-OM)**
  - In August 2005, RBI introduced an anonymous screen-based order matching module called NDS-OM. This is an order-driven electronic system, where the participants can trade anonymously by



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placing their orders on the system or accepting the orders already placed by other participants. Anonymity ensures a level playing field for various categories of participants. NDS-OM is operated by the CCIL on behalf of the RBI.

- **Over the Counter (OTC)**
  - In the G-Sec market, a participant, who wants to buy or sell a G-Sec, may contact a bank / PD/financial institution either directly or through a broker registered with SEBI and negotiate the price and quantity of security. Such negotiations are usually done on the telephone and a deal may be struck if both counterparties agree on the amount and rate.
- **Stock Exchanges**
- As advised by SEBI, the stock exchanges (like NSE, BSE, MCX) have been asked to create a dedicated debt segment in their trading platforms. In compliance with this, stock exchanges have launched a debt trading (G-Secs as also corporate bonds) segment which generally caters to the needs of retail investors.
- **Hence, option (d) is the correct answer.**

**Q 40.D**

- **Transfer expenditure** relates to the expenditure in the form of payments against which there is no corresponding return. Such expenditure includes public expenditure on **National Old Age Pension Schemes, Interest payments, Subsidies, Unemployment allowances, Welfare benefits to weaker sections, etc. Hence option (d) is the correct answer.**
- By incurring such expenditure, the government does not get anything in return, but it adds to the welfare of the people, especially those belonging to the weaker sections of the society.
- Such expenditure basically results in redistribution of money incomes within the society.

**Q 41.A**

- **Sterilisation**
  - In the context of the monetary policy refers to the activity of the RBI of taking away the excess money supply created due to its foreign exchange market intervention.
  - Here, the excess money supply has occurred when the RBI bought dollars (foreign exchange/currency) from the foreign exchange market while giving rupee.
- **Need of Sterilisation**
  - When a high volume of **foreign currency inflows takes place** through the foreign exchange markets like FIIs, FDI etc the rupee may appreciate. **Hence option 1 is correct.**
  - Too much appreciation will discourage exports and encourage imports.
  - To tackle this situation, RBI buys foreign currencies from the foreign exchange market. In exchange, the RBI has to give rupee.
  - When a big volume of foreign currencies is bought, too much of the (newly printed) rupee will have to be given by the RBI, thereby raising the money supply.
  - Withdrawing this excess money supply is necessary to stop inflation.
  - For sterilisation, the RBI usually adopts Market Stabilisation Scheme (MSS).
- Huge **demand for forex by Indian business** to invest abroad and a significant **increase in domestic borrowings** by the Union Government **does not tend to increase the supply of foreign currency** in India. So it does not warrant sterilization operations by RBI. **Hence, options 2 and 3 are not correct.**

**Q 42.C**

- Capital goods are goods that are of a **durable character** that is used in the production process. These are **tools, implements, and machines**.
- While they make the production of other commodities feasible, they themselves don't get transformed in the production process. They are also final goods yet they are not final goods to be ultimately consumed.
- Capital goods are not necessarily fixed assets, such as machinery and manufacturing equipment. Capital goods are also produced for service businesses.
  - **Hair clippers** used by hairstylists, the paint used by painters, and **musical instruments** played by musicians, are among the many types of capital goods purchased by service providers.
  - **Coffee machines** used by a cafeteria are also a capital good and so are tea leaves purchased by a tea-seller (or a restaurant).
- Goods like **food and clothing and services like recreation** that are consumed when purchased by their ultimate consumers are called consumption goods or consumer goods. **Thus clothes purchased by kids are consumer goods and not capital goods.**
- **Hence option (c) is the correct answer.**



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**Q 43.C**

- **Sovereign Gold Bonds (SGBs)**
  - SGBs are government securities denominated in grams of gold.
  - They are substitutes for holding physical gold.
  - Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
  - **The Bond is issued by Reserve Bank on behalf of Government of India. Hence, statement 1 is not correct.**
  - Bonds are sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges either directly or through their agents.
- The SGB offers a superior alternative to holding gold in physical form.
  - The risks and costs of storage are eliminated.
  - **Investors are assured of the market value of gold at the time of maturity and periodical interest. It implies that the value of SGB increases or decreases with the corresponding price variation of gold. Hence, statement 3 is correct.**
    - Moreover, **the Bonds bear interest at the rate of 2.50 percent (fixed rate) per annum** on the amount of initial investment. Interest will be credited semi-annually to the bank account of the investor and the last interest will be payable on maturity along with the principal.
    - Interest on the Bonds will be taxable as per the provisions of the Income-tax Act, 1961 (43 of 1961). The capital gains tax arising on redemption of SGB to an individual has been exempted.
    - SGB is free from issues like making charges and purity in the case of gold in jewellery form.
    - The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.
- **Eligibility**
  - Person r**esidents in India** as defined under Foreign Exchange Management Act, 1999 are **eligible to invest in SGB. Hence, statement 2 is not correct.**
  - Eligible investors include individuals, HUFs, trusts, universities and charitable institutions.
  - Individual investors with subsequent change in residential status from resident to non-resident may continue to hold SGB till early redemption/maturity.

**Q 44.A**

- The National Sample Survey Organization (NSSO) provides three different estimates of employment and unemployment based on different approaches used to classify an individual's activity status. These are :
  - **Usual status approach with a reference period of 365 days preceding the date of the survey. Hence, statement 1 is not correct.**
  - Current weekly status approach with a reference period of seven days preceding the date of the survey
  - Current daily status approach with each day of the seven days preceding the date of the survey as the reference period
- The Usual Status approach records only those persons as unemployed who had no gainful work for a major time during the 365 days preceding the date of the survey and are seeking or are available for work. Thus, the estimates of unemployment obtained on the basis of the usual status approach are expected to capture long-term unemployment.
- **The usual status approach to measuring unemployment fails to capture the short term fluctuations in employment and unemployment caused due to seasonality in labour markets.** However, CWS measures these short term fluctuations very well owing to its shorter reference period of a week. **Hence, statement 2 is correct.**
- The Current Weekly Status (CWS) approach to measuring unemployment uses seven days preceding the date of the survey as the reference period. A person is considered to be employed if he or she pursues any one or more of the gainful activities for at least one hour on any day of the reference week. On the other hand, if a person does not pursue any gainful activity, but has been seeking or available for work, the person is considered as unemployed.
- The current daily status approach to measuring unemployment seeks to ascertain the activity status of an individual for each day of the reference week. It considers the activity status of a person for each day of the preceding seven days. The reference period here is a day. If a person did not find work on a day or some days during the survey week, he/she is regarded as unemployed. Normally if a person works for four hours or more during a day, he or she is considered as employed for the whole day. The daily status unemployment is considered to be a comprehensive measure of unemployment.



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**Q 45.A**

- Recently on the occasion of the Mahaparinirvan Diwas and as a part of 'Azadi ka Amrit Mahotsav, the **Ministry of Social Justice and Empowerment has announced the Scheme for Residential Education for Students in High Schools in Targeted Areas – SRESHTA scheme for the betterment of Scheduled Caste students in the country.**
- Under the SRESHTA scheme, the **central government will support the meritorious scheduled caste students by providing them with quality residential education in reputed private schools.**
- This scheme would help the students to get quality education in schools with residential facilities. This scheme tends to focus on welfare and upliftment of the scheduled category students in the country.
- **Hence option (a) is the correct answer**

**Q 46.C**

- Recently, The first edition of the India Young Water Professional Programme was launched virtually. **This program has been taken up under the National Hydrology Project, a Central Scheme of DOWR, and RD & GR and supported by the Australian Water Partnership. Hence statement 1 is correct**
- This program is unique and different from typical capacity building and training programs. It is focused on the Engaged Training and Learning Model. About 70% of the program is focused on project-based learning through Situation Understanding and Improvement Projects (SUIP). **The Program focuses on gender equality and diversity** because sustainable water management can only benefit from the views and skills of all members of society. **Hence statement 2 is correct**
- **India Young Water Professional Program is a significant milestone in India Australia's relationship** and will go a long way in institutional strengthening and capacity building. **This program will be implemented by the Australia India Water Centre (a consortium of Australian and Indian universities).** This initiative aims to provide a structured platform for capacity building with strategic and long-term investment to support the water management reforms in India. **Hence statement 3 is not correct**
- The objectives of the India Young Water Professional Programme are to equip water professionals with the necessary skills, knowledge, behaviors, and networks that will better enable them to contribute to the development and management of water resources in India, and to address the competency needs and priorities of the water sector in India.

**Q 47.B**

- Recently, **the European Commission and the High Representative for Foreign Affairs and Security Policy under the European Union launched the Global Gateway,** the new European Strategy to boost smart, clean, and secure links in digital, energy, and transport and strengthen health, education, and research systems across the world. **Hence option (b) is correct**
- The Global Gateway stands for sustainable and trusted connections that work for people and the planet, to tackle the most pressing global challenges, from climate change and protecting the environment, to improving health security and boosting competitiveness and global supply chains. Global Gateway aims to mobilize up to €300 billion in investments between 2021 and 2027 to underpin a lasting global recovery, taking into account our partners' needs and the EU's own interests.
- Global Gateway is about increasing investments promoting democratic values and high standards, good governance and transparency, equal partnerships, green and clean, secure infrastructures, and that catalyze private sector investment.
- **Through a Team Europe approach, Global Gateway will bring together the EU, Member States with their financial and development institutions, including the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD), and seek to mobilize the private sector in order to leverage investments for a transformational impact.** The EU Delegations around the world, working with Team Europe on the ground, will play a key role to identify and coordinate Global Gateway projects in partner countries.

**Q 48.B**

- **Gross Domestic Product** (GDP) measures the aggregate production of final goods and services taking place within the domestic economy during a year.
- Whereas, **Gross National product** is calculated as:
  GNP ≡ GDP +Net Factor income from abroad
- If we **deduct depreciation from GNP** the measure of aggregate income that we obtain is called Net National Product (NNP). Thus,



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NNP ≡ GNP – Depreciation

**NNP ≡ GDP + Net Factor Income from abroad - Depreciation**

- **Hence option (b) is the correct answer.**

**Q 49.B**

- The revenue of government of India consists of revenue receipts and the expenditure met using that revenue.
- The revenue budget details the sources from where the revenue is coming to the government. The government's sources for revenue are tax collected from people and corporations. The government also makes investments through various instruments and receives interest and dividends on those.
- Its non-tax revenue includes the disinvestments that the government does in the companies where it holds stakes.
- **The correct order, therefore, is 3-2-1-4.**

- **Hence option (b) is the correct answer.**

**Q 50.D**

- **The twin balance sheet problem refers to the increasing debt on the books of corporate entities and the estimated Rs10 trillion of stressed assets that have piled up at banks because of the inability of borrowers to repay.** Thus, TBS is two-fold problems for Indian economy which deals with:
- Over leveraged companies – Debt accumulation on companies is very high and thus they are unable to pay interest payments on loans. 40% of corporate debt is owed by companies who are not earning enough to pay back their interest payments. In technical terms, this means that they have an interest coverage ratio less than 1.
- Bad-loan-encumbered-banks – Non Performing Assets (NPA) of the banks is 9% for the total banking system of India. It is as high as 12.1% for Public Sector Banks contributing to four-fifths of the total NPAs. As companies fail to pay back principal or interest, banks are also in trouble.
- Encumbered securities are securities that are owned by one entity, but subject to a legal claim by another.

**Q 51.A**

- Cyclicality of the fiscal policy simply refers to a change in direction of government expenditure and taxes based on economic conditions. There are two types of cyclical fiscal policies - **counter-cyclical and pro-cyclical.**
- **Option 1 and option 3 are correct: Recession** is a business cycle situation where there is slowing demand and falling growth in the economy. In a recession or slowdown, the government follows expansionary policy by **increasing expenditure and reduction in taxes** to create a demand that can drive an economic boom. An expansion in government expenditure cushions the contraction in output by offsetting the decline in consumption and investment.
- Such a policy works through multiple channels. One, an expansion in government expenditure cushions the contraction in output by offsetting the decline in consumption and investment. Two, higher government spending builds confidence in tough times. Through this policy, governments are able to show their commitment to sound fiscal management.
- **Option 2 is not correct:** In the case of boom, economic activities will be on upswing. Amplifying the boom is disastrous as it may create inflation and debt crisis and the government's responsibility here is to bring down the pace of economic activities. **During a boom in the economy, counter-cyclical fiscal policy aims at raising taxes and cutting public expenditure to control inflation and debt.**



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**Q 52.C**

- The ratio of nominal to real GDP is a well-known index of prices. This is called **GDP Deflator**. Thus if GDP stands for nominal GDP and gdp stands for real GDP then, **GDP deflator = GDP (nominal) / GDP (Real)**. **Hence statement 1 is not correct.**
- Consumer Price Index (CPI) includes prices of goods consumed by the representative consumer, hence it includes prices of imported goods. GDP deflator **does not** include prices of imported goods.
- The GDP price deflator helps identify how much prices have inflated over a specific time period.
- CPI generally differs from the GDP deflator as goods purchased by consumers do not represent all the goods that are produced in a country. GDP deflator takes into account all such goods and services and not the imported goods. CPI takes into account imported goods also. The weights are constant in CPI but they differ according to the production level of each good in the GDP deflator. **Hence statement 2 is not correct.**

**Q 53.C**

- Bank spread is the **difference between the interest rate that a bank charges a borrower and the interest rate a bank pays a depositor.** Also called the net interest spread, the bank spread is a percentage that tells someone how much money the bank earns versus how much it gives out.
- It is the profit that is appropriated by the banks.
- Consider a bank that lends money to customers at an average rate of 8 percent. At the same time, the interest rate the bank pays on funds that customers deposit into their personal accounts is 1 percent. The net interest spread of that financial institution would be 8 percent minus 1 percent, resulting in a bank spread of 7 percent.
- **Hence statement (c) is the correct answer.**

**Q 54.B**

- Recently, **Atal Innovation Mission (AIM), NITI Aayog has launched the Vernacular Innovation Program (VIP),** to enable innovators and entrepreneurs to have access to the innovation ecosystem in 22 scheduled languages. **Hence statement 1 is not correct.**
- VIP is an initiative to lower the language barrier in the field of innovation and entrepreneurship such that it will systematically decouple creative expressions and languages of transaction.
- To build the necessary capacity for the **VIP, AIM has identified and will be training a Vernacular Task Force (VTF) in each of the 22 scheduled languages. Hence statement 2 is correct.**
- Each task force comprises vernacular language teachers, subject experts, technical writers, and the leadership of regional Atal Incubation Centers (AICs).

**Q 55.C**

- **Targeted Long-Term Repo Operations (TLTRO)**
  - TLTROs are Long term repo operations (LTROs) conducted by the RBI to **ensure adequate liquidity at the longer period for specific sectors. Hence, statement 1 is correct.**
- **Context of the introduction of TLTRO**
  - In the wake of the COVID-19, investors made large sell-offs in the domestic equity, bond and forex markets. This has led to higher yield or liquidity premia on instruments such as corporate bonds, commercial paper and debentures.
  - To counter the high cost trend in corporate fund mobilisation, the RBI provided funds to banks at concessional rate and for a higher tenure so that the banks can invest these in corporate bonds.
  - Under TLTROs, the RBI auctioned funds to commercial banks up to a certain amount based on the repo rate.
  - In the initial phase, the RBI instructed banks to invest funds availed from TLTRO to invest in investment-grade corporate debt. Banks should invest in bonds and other securities issued by corporate.
  - Later on, the scheme was dubbed as TLTRO 2.0 where banks have to invest in debt instruments issued by NBFCs and MFIs.
- The TLTROs are **exempted from regulatory requirement of the cash reserve ratio** for the equivalent of incremental credit disbursed by banks as loans. **Hence, statement 2 is correct.**
- The interest rate under TLTRO for banks will be floating rates linked to the policy repo rate.
- There is **no maturity restriction** on the specified securities to be acquired under the TLTRO scheme.



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**Q 56.A**

- Recently, SEBI (Securities and Exchange Board of India) has introduced an optional T+1 settlement cycle for the markets
  - **T+1 means that settlements will have to be cleared within one day of the actual transactions taking place.**
  - It will come into force on January 1, 2022.
  - It is expected to benefit domestic investors by increasing market liquidity and trading turnover while reducing settlement risk and broker defaults.
  - To switch back to the T+2 settlement cycle, the stock exchange will have to give one-month notice to the market.
- **Hence, option (a) is the correct answer.**

**Q 57.C**

- **Recent context:** Recently **Wholesale Price Index (WPI)** inflation rises to 11 year high to 10.49% and **Consumer Price Index (CPI)**-based retail inflation falls to 4.3% in April. Rise in Wholesale Price Index (WPI) based inflation is attributed to higher oil and commodity prices and a low base effect. While, fall in Consumer Price Index (CPI)-based retail inflation can be attributed to subdued economic activity because of the lockdowns. RBI has also confirmed a higher drop in the demand as compared to supply.
- Inflation is an economic term describing the sustained increase in prices of goods and services within a period. **Inflation is a decrease in the purchasing power of currency due to a rise in prices across the economy.** The rise in the general level of prices, often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods. **Hence, statement 1 is correct.**
- **Urjit Patel committee of the Reserve Bank of India on monetary policy framework recommended adoption of the CPI as the key measure of inflation targetting.** The CPI is a comprehensive measure used for estimation of price changes in a basket of goods and services representative of consumption expenditure in an economy. The CPI is based on retail prices and this index is also used to calculate the Dearness Allowance (DA) for government employees. **The RBI uses CPI for inflation targeting. Hence, statement 2 is correct.**

**Q 58.C**

- **Near money is an economics term describing non-cash assets that are highly liquid, such as bank deposits, certificates of deposit (CDs) and Treasury Bills.** Central Banks and economists may use it determine the current money supply. It is also known as quasi-money. Examples of liquid assets that are near money include bonds, money markets, savings accounts and widely traded foreign currencies.
- **Money is said to be dearer when it turns expensive to borrow owing to high interest rates.** It may also be known as 'tight money'.
- **Hence option (c) is the correct answer.**

**Q 59.C**

- **NASA recently launched a new mission named Imaging X-ray Polarimetry Explorer or IXPE.** Onboard SpaceX's Falcon 9 rocket, it was sent to its orbit from NASA's Kennedy Space Center in Florida.
- **IXPE observatory is a joint effort of NASA and the Italian Space Agency.** The mission's primary length is two years and the observatory will be at 600 kilometers altitude, **orbiting around Earth's equator.** The **mission will study** the most extreme and mysterious objects in the universe – **supernova remnants, supermassive black holes, and dozens of other high-energy objects. Hence both statements 1 and 2 are correct.**
- IXPE is expected to study about 40 celestial objects in its first year in space. IXPE carries three state-of-the-art space telescopes. Each of the three identical telescopes hosts one light-weight X-ray mirror and one detector unit. These will help observe polarized X-rays from neutron stars and supermassive black holes. By measuring the polarization of these X-rays, we can study where the light came from and understand the geometry and inner workings of the light source.
- This new mission will complement other X-ray telescopes such as the Chandra X-ray Observatory and the European Space Agency's X-ray observatory, XMM-Newton.

**Q 60.B**

- **Liberalised Remittance Scheme**
  - Under this scheme of RBI, all resident individuals, including minors, are allowed to freely remit up to USD 2,50,000 per financial year (April – March) for any permissible current or capital account transaction or a combination of both.



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- The Scheme was introduced on February 4, 2004, with a limit of USD 25,000. The LRS limit has been revised in stages consistent with prevailing macro and microeconomic conditions.
- The Scheme is not available to corporates, partnership firms, HUF, Trusts etc.
- The remittances can be made in any freely convertible foreign currency.
- **Individuals can avail of foreign exchange facility for the following purposes:**
  - Private visits to any country (except Nepal and Bhutan)
  - **Gift or donation. Hence option 2 is correct.**
  - Going abroad for employment
  - Emigration
  - Maintenance of close relatives abroad
  - Travel for business
  - Attending a conference or specialised training
  - Meeting medical expenses, or check-up abroad
  - For accompanying as attendant to a patient going abroad for medical treatment/ check-up Expenses in connection with medical treatment abroad
  - **Studies abroad. Hence option 3 is correct.**
- **The remittance facility under the Scheme is not available for the following:**
  - Purchase of lottery tickets/sweep stakes, proscribed magazines etc
  - Remittance from India for margins or margin calls to overseas exchanges / overseas counterparty.
  - Remittances for purchase of FCCBs issued by Indian companies in the overseas secondary market.
  - **Remittance for trading in foreign exchange abroad. Hence, option 1 is not correct.**
  - Capital account remittances, directly or indirectly, to countries identified by the Financial Action Task Force (FATF) as "non- cooperative countries and territories"
  - Remittances directly or indirectly to those individuals and entities identified as posing significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks.

**Q 61.A**

- **Statement 1 is correct:** As the name suggests, zero-based Budget refers to planning and preparing the Budget from scratch or 'zero base'. It is different from a traditional Budget that is based on previous Budgets. In zero-based Budget, no balances are carried forward, or there are no pre-committed expenses. Simply put, it is a procedure for preparing a Budget with zero prior bases. This concept emphasises identification of a task and funding of costs irrespective of the current structure of expenditure.
- The process of zero-based budgeting involves review and justification of each and every ministry's expenditure in order to receive funding at the beginning of each financial year.
- **Statement 2 is not correct:** Under the traditional budget system unspent money allocated to any ministry or department is allowed to be carried forward. In zero-based budgeting, this money would not be allotted to those who did not spend; the money will be spent where it is needed more or used more effectively. Much bigger gains will mount up when hundreds of crores will have to be justified across departments.
- Traditional budgeting calls for incremental increases over previous budgets, such as a 2% increase in spending, as opposed to a justification of both old and new expenses, as called for with zero-based budgeting. Traditional budgeting also only analyzes only new expenditures, while ZBB starts from zero and calls for a justification of old, recurring expenses in addition to new expenditures.

**Q 62.B**

- Goods and Service Tax (GST) has been implemented from 1st July, 2017 following 101st Constitutional Amendment Act.
- GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer.
- It is essentially a tax only on value addition at each stage as input taxes credit paid at each stage will be available in the next stage of value addition.
- At the **Central level,** the following taxes have been subsumed:
  - Central Excise Duty
  - **Additional Excise Duty**
  - Service Tax
  - Additional Customs Duty commonly known as **Countervailing Duty**
  - Special Additional Duty of Customs.
- At the **State level,** the following taxes have been subsumed:
  - State Value Added Tax/Sales Tax
  - Entertainment Tax (other than the tax levied by the local bodies)



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- Central Sales Tax (levied by the Centre and collected by the States)
- **Octroi and Entry tax**
- Purchase Tax
- Luxury tax
- Taxes on lottery, betting and gambling

- **Hence option (b) is the correct answer.**

**Q 63.D**

- In 2013, the Reserve Bank of India constituted a committee headed by **Dr Nachiket Mor**. One of the key suggestions of the committee was to introduce specialised banks or 'payments bank' to cater to the lower income groups and small businesses.
- A payments bank is like any other bank, but operating on a smaller scale without involving any credit risk. In simple words, **it can carry out most banking operations but can't advance loans or issue credit cards. Hence statement 3 is correct.**
- **The payments bank will be registered as a public limited company under the Companies Act, 2013, a**nd licensed under Section 22 of the Banking Regulation Act, 1949, with specific licensing conditions restricting its activities mainly to acceptance of demand deposits and provision of payments and remittance services. **Hence statement 2 is correct.**
- The payments bank cannot undertake lending activities. Apart from amounts maintained as Cash Reserve Ratio (CRR) with RBI on its outside demand and time liabilities, **it will be required to invest minimum 75 per cent of its "demand deposit balances" in Government securities/Treasury Bills with maturity up to one year t**hat are recognized by RBI as eligible securities for maintenance of Statutory Liquidity Ratio (SLR) and hold maximum 25 per cent in current and time/ fixed deposits with other scheduled commercial banks for operational purposes and liquidity management. **Hence statement 1 is correct.**

**Q 64.B**

- Initial public offerings and direct listings are two methods for a company to raise capital by listing shares on a public exchange. While many companies choose to do an initial public offering (IPO), in which new shares are created, underwritten, and sold to the public, some companies choose a direct listing, in which no new shares are created and only existing, outstanding shares are sold with no underwriters involved.
- **With IPOs, the company uses the services of intermediaries called underwriters, who facilitate the IPO process and charge a commission for their work.**
  - **Thus, in an IPO, new shares of the company are created and are underwritten by an intermediary. The underwriter works closely with the company throughout the IPO process, including deciding the initial offer price of the shares, helping with regulatory requirements, buying the available shares from the company, and then selling them to investors via their distribution networks. Hence, statement 1 is not correct.**
- Companies that want to do a public listing may not have the resources to pay underwriters, may not want to dilute existing shares by creating new ones, or may want to avoid lockup agreements. Companies with these concerns often choose to proceed by using the direct listing process, rather than an IPO.
  - **With a direct listing process (DLP), the business sells shares directly to the public without the help of any intermediaries. It does not involve any underwriters or other intermediaries, there are no new shares issued and there is no lockup period.**
  - **Without an intermediary, however, there is no safety net ensuring the shares sell.**
    - A lock-up period, also known as a lock-in, lockout or locked up period, is a predetermined amount of time following an initial public offering where large shareholders, such as company executives and investors representing considerable ownership, are restricted from selling their shares
- **A direct listing is considered riskier than an IPO since the demand for the company's shares among retail investors will determine the total amount of funds the company attracts. In the case of an IPO, the risk is offloaded onto the intermediary who purchases the company's shares. Hence, statement 2 is correct.**

**Q 65.A**

- The **Indian Army recently launched a contemporary messaging application named, ASIGMA (Army Secure IndiGeneous Messaging Application)** which is a new generation, state-of-the-art, web-based application.
- The **application is being deployed on the Army's internal network as a replacement of the Army Wide Area Network (AWAN) messaging application which has been in service for the past 15**



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**years.** The application has been fielded on Army-owned hardware and lends itself to lifetime support with future upgrades. **Hence statement 1 is correct**

- This future-ready messaging application is **developed entirely in-house by a team of officers of the Corps of Signals of the Army. Hence statement 2 is not correct**
- It has a variety of contemporary features including multi-level security, message prioritization, and tracking, a dynamic global address book, and various options to meet the Army's requirements.

**Q 66.A**

- **Seigniorage is a term for the profits governments make by minting currency. It is the difference between the face value of a currency note or coin, and its actual production cost.** For instance, if the cost of printing a ₹2,000-note is about ₹4, printing one such note and putting it into circulation fetches a profit of ₹1,996. Usually central banks 'earn' this profit and transfer it to the Government.
    - Higher denomination notes earn higher profits. However, things are different in the case of coins where the cost of minting coin is usually equal to the face value, and can fluctuate based on the price of base metal. So If the seigniorage is positive, the government will make an economic profit, while a negative seigniorage will result in an economic loss.
- **Hence option (a) is the correct answer.**

**Q 67.D**

- **Consumer Price Index(CPI) the index of prices of a given basket of commodities that are bought by the representative consumer.** CPI is generally expressed in percentage terms. We have two years under consideration – one is the base year, the other is the current year. We calculate the cost of purchase of a given basket of commodities in the base year. We also calculate the cost of purchase of the same basket in the current year. Then we express the latter as a percentage of the former. This gives us the Consumer Price Index of the current year vis-´a-vis the base year.
- **CPI includes prices of goods consumed by the representative consumer, hence it includes prices of imported goods. Hence statement 1 is not correct.**
- The **CPI assigns fixed weights to the prices of different goods,** and it does not differ according to the production levels of the goods whereas the GDP deflator assigns changing weights. In other words, **the CPI computed using a fixed basket of goods**, whereas the GDP deflator allows the basket of goods to change over time as the composition of GDP changes. **Hence statement 2 is not correct**

**Q 68.D**

- India adopted a 2% DST (digital services tax) in 2020. The Equalisation Levy of 6% is applicable only to Non-Resident companies. Equalisation Levy is applicable if the aggregate amount of consideration for the Advertisement service is more than Rs.1 lakh a year. Equalisation levy is not applicable if the aggregate amount is below Rs.1 lakh.
- It applies only to **non-resident companies**, and covers **online sales of goods and services** to, or aimed at, persons in India.
- Earlier in 2016, Equalization Levy was introduced to tax payments for digital advertisement services received by **non-resident companies without a permanent establishment here, if it exceeded ₹1 lakh a year. (This tax rate is 6 %). Hence statement 1 is not correct.**
- Finance Act, 2020 inserted a new section 165A which obliges the **non-resident e-commerce operators providing e-commerce supply or services to a person resident in India, to pay equalisation levy @ 2%** of the amount of consideration received or receivable by such operator **from e-commerce supply or services made or provided or facilitated by it**. **Hence statement 2 is not correct.**

**Q 69.B**

- RBI publishes figures for four alternative measures of money supply, viz. M1, M2, M3 and M4.
    - **M1 = CU + DD. Hence statement 2 is not correct.**
    - M2 = M1 + Savings deposits with Post Office savings banks
    - M3 = M1 + Net time deposits of commercial banks
    - M4 = M3 + Total deposits with Post Office savings organisations (excluding National Savings Certificates)
- **Where, CU is currency (notes plus coins) held by the public and DD is net demand deposits held by commercial banks..**
- M1 and M2 are known as narrow money. **M3 and M4 are known as broad money.**
- M1 is **most liquid and easiest for transactions whereas M4 is least liquid of all. Hence statement 1 is not correct.**



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- M3 is the most commonly used measure of money supply. It is also known as aggregate monetary resources.
- In 2020, **broad money (% of GDP) for India was 88.9 %.** Broad money (% of GDP) of India increased from 23.4 % in 1971 to 88.9 % in 2020 growing at an average annual rate of 2.86%. **Hence statement 3 is correct.**

**Q 70.C**

- **Current Context:** The Reserve Bank of India (RBI) has decided to allow non-bank payment system providers (PSPs), including prepaid payment instruments (PPI) issuers like mobile wallets, card networks and white label ATM operators to participate in the Centralised Processing System (CPS) as direct members.
- **Types of Payment Systems**
  - **Centralized Payment Systems**
    - CPS in India are **Real Time Gross Settlement (RTGS)** and **National Electronic Funds Transfer (NEFT)** systems, both owned and operated by the Reserve Bank. **Hence, option (c) is the correct answer.**
    - RTGS: It enables real-time transfer of funds to a beneficiary's account and is primarily meant for large-value transactions. Real time means the processing of instructions at the time they are received and gross settlement implies that settlement of funds transfer instructions occurs individually.
    - NEFT: It is an electronic fund transfer system in which the transactions received up to a particular time are processed in batches.
  - **Decentralized payment systems**
    - It includes clearing houses managed by RBI (**Cheque Truncation System** (CTS) centres) as well as other banks (Express Cheque Clearing System (ECCS) centers) and any other system as decided by RBI from time to time.
  - **Immediate Payment Service (IMPS)** is an instant payment inter-bank electronic funds transfer system in India. IMPS offers an inter-bank electronic fund transfer service through mobile phones. While RTGS and NEFT fall under the purview of the Reserve Bank of India, IMPS is managed by the National Payments Corporation of India.
- The RBI move means allotment of a separate Indian Financial System Code (IFSC) to non-banks, opening a current account with the RBI in its core banking system (e-Kuber) and maintaining a settlement account with the RBI.
- **Significance of the recent move**
  - It will mitigate failure and reduce the delay in the execution of funds transfer instructions of non-banks.
  - It will enable access neutrality between banks and non-banks and facilitate better settlement risk management with increased participation of non-banks.
  - It will lower the overall risk in the payments ecosystem.
  - It has advantages to non-banks like reduction in cost of payments, minimizing dependence on banks etc.

**Q 71.B**

- According to the RBI, "Commercial Banks refer to both scheduled and non-scheduled commercial banks which are regulated under Banking Regulation Act, 1949."
- **Any bank which is listed in the second schedule of the Reserve Bank of India Act, 1934 is considered a scheduled bank.** The list includes the State Bank of India and its subsidiaries (like State Bank of Travancore), all nationalised banks (Bank of Baroda, Bank of India etc), regional rural banks (RRBs), foreign banks (HSBC Holdings Plc, Citibank NA) and some co-operative banks. These also include private sector banks, both classified as old (Karur Vysya Bank) and new (HDFC Bank Ltd). **Hence statement 1 is not correct.**
- **To qualify as a scheduled bank, the paid up capital and collected funds of the bank must not be less than Rs 5 lakh.** Banks with a reserve capital of less than 5 lakh rupees qualify as non-scheduled banks. **Hence statement 2 is correct.**
- Scheduled banks are eligible for loans from the Reserve Bank of India at bank rate. **Non-scheduled banks are not entitled to borrow from the RBI for normal banking purposes, except, in emergency or "abnormal circumstances." Hence statement 3 is not correct.**



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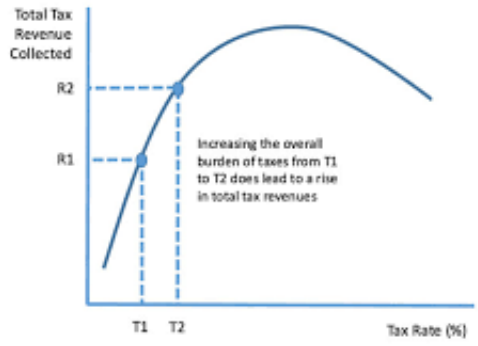
**Q 72.A**

- Taxes and duties levied by the government form the biggest source of its income or receipts. The government spends this money on both operational and developmental needs. Usually, there are two main sources of the government's income – revenue receipts and capital receipts.
- **Capital receipts are receipts that create liabilities or reduce financial assets on the other hand non-debt receipts are those which do not incur any future repayment burden for the government. Non-debt capital receipts, also known as NDCR, account for just 3% of the central government's total receipts.** Nearly three-fourths of the central government's receipts come from tax and non-tax revenues, while one-fourth comes from capital receipts that include non-debt capital receipts and borrowings.
- **Non-debt capital receipts** can be divided into:
    - **Recoveries of loans and advances:** This kind of non debt capital receipts includes:
        - Recovery of loans and advances from state governments and union territories with legislature
        - **Recovery of loans given to foreign governments**
        - Recovery of loans and advances from PSUs and other autonomous bodies. However, recovery of loans and advances account for only a small fraction of total non debt capital receipts
    - **Miscellaneous Capital Receipt:** This includes proceeds from disinvestment in public sector undertakings. The government further classifies disinvestment proceeds into:
        - Disinvestment receipts
        - **Strategic disinvestment**
        - Listing of PSUs in stock markets
        - Issue of bonus shares
- **Debt Receipts have to be repaid by the government.** Around 25 per cent of government expenditure is financed through borrowing. Loans from the general public, foreign governments and the Reserve Bank of India (RBI) form a crucial part of capital receipts. **Examples of debt capital receipts**: Market loans, issuance of special securities to public-sector banks, issue of securities, short-term borrowings, treasury bills, securities against small savings, state provident funds, relief bonds, saving bonds, gold bonds, external debt, etc, are all example of debt capital receipts.
- **Hence option (a) is the correct answer.**

**Q 73.A**

- In economics, the **Laffer Curve** is a graphic representation of the relationship between **rates of taxation and the resulting levels of government revenue. Hence option (a) is the correct answer.**
- The theory tries to arrive at an optimal tax rate beyond which tax revenues for an economy tend to fall.
- The Laffer curve was developed in **1979 by economist Arthur Laffer.**
- According to Laffer's theory, **tax revenues are almost zero at extreme rates.**
- At zero tax rate, particularly the income tax, it is natural that tax revenues are zero.
- But at an extreme of a 100 per cent tax rate, the government theoretically collects zero revenue because the assumption is that taxpayers have no incentive to work as they would be left with nothing to spend at such high or they find a way to avoid paying taxes.




**Q 74.B**

- The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020, under the International Financial Services Centres Authority Act, 2019. It is headquartered at GIFT City, Gandhinagar in Gujarat.
- **The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. Its jurisdiction is limited to the International Financial Services Centres in India not all over India as there are other regulators like SEBI, RBI, etc to regulate outside International Financial Services Centres in India.**



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- **Hence, statement 2 is correct.**
- At present, the GIFT IFSC is the maiden international financial services centre in India. Prior to the establishment of IFSCA, the domestic financial regulators, namely, RBI, SEBI, PFRDA and IRDAI regulated the business in IFSC.
- **IFSCA shall consist of a Chairperson, one Member each to be nominated by the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority(PFRDA), two members to be dominated by the Central Government and two other whole-time or full-time or part-time members.**
  - **Finance Minister is not an Ex-Officio chairman of IFSCA.**
- **Hence, statement 1 is not correct.**
- Functions of IFSCA:
  - The Authority shall regulate all such financial services, financial products and FIs in an IFSC which has already been permitted by the Financial Sector Regulators for IFSCs.
  - The Authority shall also regulate such other financial products, financial services or financial institutions as may be notified by the Central Government from time to time.
  - It may also recommend to the Central Government such other financial products, financial services and financial institutions which may be permitted in the IFSCs.
- Powers of the Authority:
  - All powers exercisable by the respective financial sector regulatory (viz. RBI, SEBI, IRDAI, and PFRDA etc.) under the respective Acts shall be solely exercised by the Authority in the IFSCs in so far as the regulation of financial products, financial services and FIs that are permitted in the IFSC are concerned.

**Q 75.C**

- The concept of effective Revenue deficit was introduced in the **Union Budget 2011-12.** It was later on given statutory status by an amendment to the Fiscal Responsibility and Budget Management (FRBM) Act by the Finance Act, 2012.
- Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. The concept of 'Grants for creation of capital assets' was introduced in the FRBM Act through the amendment in 2012. It defines grants for creation of capital assets as **grants-in-aid given by the Central Government to State governments, autonomous bodies, local bodies and other scheme implementing agencies for creation of capital assets which are owned by these entities.**

**Q 76.D**

- NABARD, as a Development Bank, is mandated for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas.
- **National Bank for Agriculture and Rural Development (NABARD) was established on 12 July 1982 by an Act of the Parliament. Hence statement 1 is not correct.**
- The major functions of NABARD include promotion and development, refinancing, financing, planning, monitoring and supervision.
- Non-credit related
  - Assist in policy formulation of GoI, RBI and State Governments on matters related to agricultural credit and rural development.
  - Supporting the financial inclusion efforts of Regional Rural Banks and Cooperative Banks.
- Credit related
  - **Loans to State Governments for developing rural infrastructure and strengthening of the Cooperative Credit Structure. Hence statement 3 is correct.**
- In respect of banks, the Reserve Bank derives its powers from the provisions of the Banking Regulation Act, 1949, while the other entities and markets are regulated and supervised under the provisions of the Reserve Bank of India Act, 1934. **Hence statement 2 is not correct.**

**Q 77.D**

- Frictional and structural unemployment are two different types of unemployment that occur in an economy. Frictional unemployment is the result of voluntary employment transitions within an economy. Frictional unemployment naturally occurs, even in a growing, stable economy.
- Structural unemployment is a form of involuntary unemployment caused by a mismatch between the skills that workers in the economy can offer, and the skills demanded of workers by employers.



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- **Frictional unemployment involves people transitioning between jobs; it has nothing to do with the economic cycle and is voluntary.** Structural unemployment is a direct result of shifts in the economy, including changes in technology or declines in an industry. **Hence, statement 1 is not correct.**
- **Structural unemployment is long-lasting unemployment that comes about due to shifts in an economy. Frictional unemployment is typically a temporary phenomenon, while structural unemployment can last for years. Hence, statement 2 is not correct.**

**Q 78.B**

- When any good is taxed on the basis of its measure, size and weight such tax is known as **specific tax.**
- For example, if excise duty is imposed on sugar with respect to its weight; or excise duty is imposed on cloth on the basis of meters or yards, it will be a specific tax.
- The specific tax is advantageous because it can easily be imposed and charged.
- When any commodity is taxed on the **basis of value of sales, it is known as advalorem tax.** In such case, the tax is imposed on the basis of value of the product whatsoever be the weight or size of the product. **Hence statement 1 is not correct.**
- **Advalorem tax** is beneficial in the sense that its **burden lies with the rich.** Hence, it is in accordance with the canon of equity. But the complication with this tax is that **it is difficult to find the exact value of goods.**
- An ad valorem tax is a tax based on the assessed value of an item, such as real estate or personal property. The most common ad valorem taxes are property taxes levied on real estate. However, ad valorem taxes may also extend to a number of tax applications, such as import duty taxes on goods from abroad. **Hence statement 2 is correct.**

**Q 79.A**

- The **Tobin tax is a tax levied on spot currency conversions**, with the intention of disincentivizing short-term currency speculation. Tobin Tax was put forward in 1972 by the Nobel-prize winning American economist James Tobin. Originally, he suggested a tax on all payments from one currency to another.
- His aim was to **curb massive and destabilising movements of funds between foreign currency exchanges**. He proposed that the cash raised should be used as aid for developing countries. **Hence statement 1 is correct.**
- The idea has since been extended to cover a **tax on all share, bond and currency transactions.** A Tobin tax is designed to deter only speculative flows of hot money—money that moves regularly between financial markets in search of high short-term interest rates. It is not meant to impact long-term investments. The shorter the investment cycle (i.e., the time between buying and selling a currency), the higher the effective rate of tax—thus providing market-based incentives for lengthening the term structure of investments.
- India already has a form of Tobin tax in place — called the **Securities Transaction Tax (STT). Introduced in 2004 by former finance minister P Chidambaram, it is levied on every transaction of securities listed on the stock exchanges and mutual funds.**
- Securities Transaction Tax (STT) is a type of financial transaction tax payable in India on every purchase or sale of securities that are listed on the Indian stock exchanges. This would include shares, derivatives or equity-oriented mutual funds investment units (excluding commodities and currency). The tax is not applicable on off-market transactions or on commodity or currency transactions.
- The rates of STT are prescribed by the Central / Union Government through its Budget from time to time. In tax parlance, this is categorized as a direct tax. **Hence statement 2 is not correct.**

**Q 80.A**

- Recent Context: Union Finance minister Nirmala has recently launched the “Ubharte Sitaare" Alternative Investment Fund to help micro, small and medium enterprises (MSMEs) which could be future champions with good export potential.
- Alternative Investment Fund or AIF means any fund established or incorporated in India which is a privately pooled investment vehicle that collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors.
- In India, applicants can seek registration as an AIF in one of the following categories, and in sub-categories thereof, as may be applicable:
- **Category I**: AIFs which invest in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable.
    - **Venture capital funds (Including Angel Funds)**
    - SME Funds
    - **Social Venture Funds**



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- Infrastructure funds
- **Category II:** AIFs which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations.
  - Various types of funds such as **real estate funds, private equity funds, funds for distressed assets, etc.** are registered as Category II AIFs.
- **Category III:** AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.
  - Various types of funds such as **hedge funds**, PIPE Funds, etc. are registered as Category III AIFs.
- **AIF does not include funds covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other regulations of the Board to regulate fund management activities**
- **Hence, option (a) is the correct answer.**

**Q 81.A**

- Inflation can be described as the general rise in the price of goods and services in an economy over time. It is calculated by tracking the increase in prices of essentials. Wholesale Price Index (WPI) and Consumer Price Index (CPI) are two commonly used measures that are effective in determining inflation in the country.
- WPI or Wholesale Price Index is an indicator that is used to determine the changes in the price occurring in case of goods available for wholesale in the market. WPI is useful in calculating the change in commodity prices that occur at selected stages before it reaches retailers.
- CPI is another price index that focuses on the sum of money that a consumer has to shell out in order to purchase a basket of goods and services over a period of time. CPI measures the price that consumers pay to retailers.
- Differences between the Wholesale Price Index and Consumer Price Index:
  - WPI measures the initial or first stage of a transaction, while CPI measures the final or last stage of a transaction.
  - **CPI covers both goods and services, whereas WPI covers only goods and not services**. Hence, CPI provides information on price movements in the services sector also. **Hence, statement 1 is correct.**
  - WPI is published by the Office of Economic Advisor (Ministry of Commerce & Industry) and CPI is published by the Central Statistics Office (Ministry of Statistics and Programme Implementation).
  - CPI includes Food Inflation which is a critical part of the price stability objective in emerging markets like India. **The weightage of food in the Consumer Price Index (CPI) is higher than that in the Wholesale Price Index (WPI).** The weightage of food in the CPI is close to 50%. **Hence, statement 2 is not correct.**

**Q 82.D**

- Fiat money is a government-issued currency that is n**ot backed by a physical commodity, such as gold or silver,** but rather by the government that issued it.
- It gets its v**alue based on the trust people place in the authorities that issue it**. Commodity-backed currencies, on the other hand, get their value from the underlying price of the gold, silver, or other materials they're linked to.
- **It has no intrinsic value like gold or silve**r.
- **It is called legal tender as it cannot be refused by any citizen of the country for settlement of any kind of transaction.**
- **Hence option (d) is the correct answer .**

**Q 83.B**

- Labour force is defined as the persons who were either 'working' (or employed) or 'seeking or available for work' (or unemployed) constituted the labour force. One is classified as ‘not in the labour force’ if he or she was engaged in a relatively long period in any one of the non-gainful activities. Labour Force = employed + unemployed (willing to work)
- **The Labour Force Participation Rate (LFPR), obtained by dividing the number of persons in the labour force by total population**, is an important parameter in employment projections and formulation of employment strategies. NSSO defines the Labour force participation rate (LFPR) as the number of persons/person-days in the labour force per thousand persons/person-days. **Hence, statement 2 is correct.**
- **Unemployment Rate (UR) is the ratio of number of unemployed persons/person-days to the number of persons/person-days in the labour force (not total population). Hence, statement 1 is not correct.**



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**Q 84.A**

- **Stagflation refers to an economy that is experiencing a simultaneous increase in inflation and stagnation of economic output.** Stagflation was first recognized during the 1970s when many developed economies experienced rapid inflation and high unemployment as a result of an oil shock. **Hence, statement 1 is correct.**
- **Stagflation is characterized by slow economic growth and relatively high unemployment**—or economic stagnation—which is at the same time accompanied by rising prices (i.e. inflation). **Hence, statement 2 is not correct.**
- Generally, when the economy stagnates (slows down) then inflation also comes down due to lower demand in the economy **(since the demand is low, inflationary conditions is not due to Demand-pull inflation)**. But stagflation is an exception where the economy slows down but the inflation is high. And this may be because of the steep rise in prices of some inputs required in the production process. Typically, **costs push inflation, caused by supply-side issues, or excessive liquidity in the system cause inflationary conditions in such a situation. Hence, statement 3 is not correct.**

**Q 85.A**

- **A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956/2013** engaged in the business of loans and advances, acquisition of shares/stocks/ bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. **Hence statement 1 is not correct.**
- NBFCs lend and make investments and hence their activities are similar to that of banks; however there are a few differences as given below:
  - NBFC cannot accept demand deposits.
  - **NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself. Hence statement 2 is correct.**
  - Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.
- Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under the RBI Act, 1934 subject to certain conditions.
- **They are regulated by different institutions depending on their activity such Housing Finance Co. regulated by National Housing Bank, Merchant Banking Companies and Mutual Funds etc by SEBI, Insurance Co. by IRDA, Asset Finance company by RBI, etc. Hence statement 3 is not correct.**

**Q 86.C**

- Recently, **NASA launched its new Laser Communications Relay Demonstration (LCRD) — the agency's first-ever laser communications system** — from Cape Canaveral Space Force Station in Florida. The LCRD will help the agency test optical communication in space. **Hence statement 1 is correct**
- Currently, most NASA spacecraft use radio frequency communications to send data. Optical communications will help increase the bandwidth 10 to 100 times more than radio frequency systems. Laser communications and radio waves use different wavelengths of light. **The laser uses infrared light and has a shorter wavelength than radio waves.** This will help the transmission of more data in a short time. **Hence statement 2 is correct**
- LCRD has two optical terminals – one to receive data from a user spacecraft, and the other to transmit data to ground stations. The modems will translate the digital data into laser signals. This will then be transmitted via encoded beams of light. These capabilities make LCRD NASA's first two-way, end-to-end optical relay.
- **The LCRD payload is hosted onboard the US Department of Defense's Space Test Program Satellite 6 (STPSat-6). It will be in a geosynchronous orbit, over 35,000km above Earth.** For the first two years, LCRD will test its communications capabilities. It will be controlled by engineers at the LCRD mission's ground stations in California and Hawaii. The team will send test data through radio frequency signals and the LCRD will reply using optical signals. **Hence statement 3 is correct**



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**Q 87.D**

- Three distinct functions that operate through the fiscal policy of the government are as follows:
- **Allocation Function:** Certain goods, referred to as **public goods (such as national defence, roads, government administration), as distinct from private goods (like clothes, cars, food items)**, cannot be provided through the market mechanism, i.e. by transactions between individual consumers and producers and must be provided by the government.
- **Distribution Function:** Second, through its tax and expenditure policy, the government attempts to bring about a distribution of income that is considered 'fair' by society. The government affects the personal disposable income of households by **making transfer payments and collecting taxes and, therefore, can alter the income distribution.**
- **Stabilisation requirements of the domestic economy**: Third, the economy tends to be subject to substantial fluctuations and may suffer from prolonged periods of unemployment or inflation. There may be times when extra government expenditure is needed to raise aggregate demand. There may be times when expenditures exceed the available output under conditions of high employment and thus may cause inflation. In such situations, restrictive conditions are needed to reduce demand. **Hence option (d) is the correct answer.**

**Q 88.B**

- Article 266 of the Constitution defines the Public Account as being those funds that are received on behalf of the Government of India. Public Account funds do not belong to the government and have to be finally paid back to the persons and authorities that deposited them. Parliamentary authorisation for such payments is not required. However, when money is withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure for a specific purpose, it is submitted for a vote in Parliament.
- There are five major heads of accounts under the Public Account: (i) **Small Savings, Provident Fund and Other Accounts (ii) Reserve Funds (iii) Deposits and Advances (iv) Suspense and Miscellaneous and (v) Remittances. (Treasury bills are the part of Consolidated fund of India).**
- The first three of these accounts deal with receipts and payments in respect of which the Government is liable to repay the moneys received or has a claim to recover the amounts paid. In respect of these transactions, the Government acts as a banker, receiving amounts which it later repays and paying out advances which it subsequently recovers. Provident Funds of Government Employees, Deposits of Local Funds, **Reserve Funds Deposits made by outside agencies**, Departmental Advances, etc. fall under this category. The other two accounts–Suspense and Remittances – are used only for adjustment purposes.

**Q 89.A**

- **Off-budget borrowings are loans that are taken not by the Centre directly, but by another public institution that borrows on the directions of the central government. Hence, statement 1 is correct.**
- Such borrowings are used to fulfil the government's expenditure needs. Such borrowings are a way for the Centre to finance its expenditures while keeping the debt off the books — so that it is not counted in the calculation of fiscal deficit. But since the liability of the loan is not formally on the Centre, the loan is not included in the national fiscal deficit. This helps keep the country's fiscal deficit within acceptable limits. **Hence, higher off-budget borrowings will not result in a higher fiscal deficit.**
- The government can ask an implementing agency to raise the required funds from the market through loans or by issuing bonds. For example, food subsidy is one of the major expenditures of the Centre. In the Budget presentation for 2020-21, the government paid only half the amount budgeted for the food subsidy bill to the Food Corporation of India. The shortfall was met through a loan from the National Small Savings Fund. A CAG report of 2019 pointed out that this route of financing puts major sources of funds outside the control of Parliament.
- The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. The State stood as guarantor for loans availed by Government Companies/Corporations/Societies. Funds for these programmes were to be met out of resources mobilized by these Companies/Corporations/Societies outside the State budget.
- The **borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had been repaying the loans availed of by these Companies/Corporations/Societies including interest through regular budget provision under the capital account**. **Hence, statement 2 is not correct.**



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**Q 90.B**

- The idea behind National Disposable Income is that it gives an idea of what is the maximum amount of goods and services the domestic economy has at its disposal.
  - **National Disposable Income (NDI) =** Net National Product at market prices + Other current transfers from the rest of the world.
- **NDI includes the current transfers** from the rest of the world. **Hence statement 1 is not correct.**
- Personal Income is calculated as Personal Income (PI) ≡ NI – Undistributed profits – Net interest payments made by households – Corporate tax + Transfer payments to the households from the government and firms.
- However, even PI is not the income over which the households have complete say. They have to pay taxes from PI. If we deduct the Personal Tax Payments (income tax, for example) and Non-tax Payments (such as fines) from PI, we obtain what is known as the Personal Disposable Income. Thus
  - **Personal Disposable Income (PDI ) ≡ PI – Personal tax payments – Non-tax payments.**
- Personal Disposable Income is the part of the aggregate income which belongs to the households. Hence **Rise in tax payments decreases** the Personal Disposable Income in the country. **Hence statement 2 is correct.**

**Q 91.B**

- National Stock Exchange of India Limited (NSE) is the leading stock exchange of India, located in the city of Mumbai, Maharashtra. NSE was established in 1992 as the first dematerialized electronic exchange in the country. NSE was the first exchange in the country to provide a modern, fully automated screen-based electronic trading system that offered easy trading facilities to investors spread across the length and breadth of the country.
- **As of September 2021, the National Stock Exchange of India is the 9th largest stock exchange in the world in terms of the market capitalization of listed companies.**
- **Hence, statement 1 is not correct**
- **The National Stock Exchange of India is owned by various domestic and global financial institutions, public and privately owned entities and individuals**. As per the shareholding pattern as of 31st March 2020, the Non - Public Shareholding is at 50.93 % against the prescribed limit of 49% and the public holding is 49.07% against the minimum prescribed limit of 51%.
  - **Thus, it is not a subsidiary of National Securities Depository Limited.**
  - National Securities Depository Limited is an Indian central securities depository under the jurisdiction of the Ministry of Finance, Government of India based in Mumbai. It was established in August 1996 as the first electronic securities depository in India with national coverage.
  - **Hence, statement 2 is not correct.**
- **The NIFTY 50 is the flagship index on the National Stock Exchange of India Ltd. (NSE). The Index tracks the behavior of a portfolio of blue-chip companies, the largest and most liquid Indian securities.**
  - It includes 50 of the approximately 1600 companies traded (listed & traded and not listed but permitted to trade) on NSE, captures approximately 65% of its float-adjusted market capitalization and is a true reflection of the Indian stock market.
- **Hence, statement 3 is correct.**

**Q 92.A**

- Demand-pull inflation is a period of inflation which arises from rapid growth in aggregate demand. **It occurs when economic growth is too fast. Demand-pull inflation exists when aggregate demand for a good or service outstrips aggregate supply.** If aggregate demand rises faster than productive capacity, then firms will respond by putting up prices, creating inflation. It is the most common cause of inflation. **Hence, statement 1 is correct.**
- Demand-pull inflation means:
  - Excess demand and 'too much money chasing too few goods.'
  - The economy is at (or very close to) full employment/full capacity.
  - The economy will be growing at a rate faster than the long-run trend rate.
  - A falling unemployment rate.
- **Demand-Pull Inflation involves inflation rising as real Gross Domestic Product rises and unemployment falls. Therefore, the economy moves along the Phillips Curve.** Demand-Pull Inflation is commonly described as "too much money chasing too few goods". **Hence, statement 2 is not correct.**
  - The Phillips curve is an economic concept developed by A. W. Phillips stating that inflation and unemployment have a stable and inverse relationship. The theory claims that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment.



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**Q 93.C**

- **Direct Tax** is the tax where the incidence and impact of taxation fall on the same entity.
- In simple words, a direct tax is a tax that you directly pay to the authority imposing the tax.
- Steps taken to improve direct tax ecosystem previously:
- **Personal Income Tax:** Finance Act, 2020 has provided an option to individuals and co-operatives for paying income tax at concessional rates if they do not avail specified exemption and incentive.
- **Abolition of Dividend Distribution Tax (DDT):** In order to increase the attractiveness of the Indian Equity Market and to provide relief to a large class of investors companies who are not required to pay DDT. With effect from 01 April 2020, the Dividend Distribution Tax ('DDT') was abolished and a withholding tax ('WHT') was introduced on the payment of dividend. As a result, dividend is now only taxed in the hands of the recipient.
- **Vivad se Vishwas:** To provide for resolution of pending tax disputes which will not only benefit the Government by generating timely revenue but also the taxpayers as it will bring down mounting litigation costs.
- **Simplification of compliance norms for Start-ups:** Start-ups have been provided hassle-free tax environment which includes simplification of assessment procedure, **exemptions from Angel-tax,** constitution of dedicated start-up cell etc.
- **Angel Tax -** There may be some companies that are doing extremely well operationally, and investors wait with bated breath to buy the shares of such companies when first shares are issued. In such a situation, the company, knowing its brand value and market expectations, may issue shares at a price way higher or over what a comparable stock may be granted at in the market. In a scenario like that, unlisted companies have to pay income tax on the money raised through such an issue. The excess of funds raised at prices above fair value is treated as income, on which tax is levied.
- As per an income tax notification, angel investors with the minimum net worth of INR 2 crore or the average returned the income of more than INR 25 lakhs in the previous 3 financial years will be eligible for 100 % tax exemption on the investments that are made in the start-ups above the fair market value.
- **Hence option (c) is the correct answer.**

**Q 94.A**

- Recently, **the Prime Minister Narendra Modi laid the foundation stone of Renukaji Dam project.** The project was made possible when six states viz **Himachal Pradesh, Uttar Pradesh, Haryana, Rajasthan, Uttarakhand and Delhi** were brought together by the Centre for making the project possible.
- **Renukaji Dam project has been conceived as a storage project on Giri River (tributary of river Yamuna) in Sirmour District of Himachal Pradesh.** The project envisages construction of 148 M high rock filled dam for supply of 23 cumec water to Delhi and other basin states. **Hence statement 1 is correct**
- **Renuka Dam Project has been included under the National Project scheme of the Ministry of Power.** As per the norms of the National Project scheme, **90% cost for the works portion of water component of the project is to be provided by Government of India. Balance 10% cost of water component is to be shared by all basin states** in the ratio of allocation of water as per MoU of 1994. Further, as per the agreement signed on 11.01.2019, **Government of NCT Delhi has agreed to bear the 90% cost of the power component of the project, and balance 10% of power component is to be borne by Himachal Pradesh. Hence statement 2 is not correct.**

**Q 95.D**

- **Article 270** allows the **Centre to levy cess and surcharge** which the **Centre need not share with state governments. Hence statement 2 is not correct.**
- While **cesses are imposed for specific purposes**, surcharges are a tax on taxes, **both meant to be temporary in nature. Hence statement 1 is not correct.**
- Example:
  - Swachh Bharat cess to finance Swachh Bharat initiatives.
  - Surcharge of 10% is levied if income is more than Rs. 50 Lakhs.
- In surcharge, there is no need to stipulate the purpose at the time of levy and it is the discretion of the Union to utilise the proceeds of the surcharges for whichever purpose it deems fit.

**Q 96.D**

- Recently, **The National Stock Exchange (NSE) launched a new corporate governance initiative. NSE Prime** is a framework that prescribes higher standards of corporate governance for listed companies than those required by regulations. **Hence statement 1 is not correct.**



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- Additional disclosure requirements have also been prescribed to provide for a higher quality of public information and greater transparency.
- **It is not mandatory for listed companies to adopt and comply with the NSE Prime framework,** but those which choose to be part of NSE Prime will need to comply with pre-defined norms on an ongoing basis, which will be monitored by NSE. **Hence statement 2 is not correct**
- The initiative will raise the bar for corporate governance standards in India, enable investors to identify companies that have voluntarily signed up for higher standards of corporate governance, broaden the quality of investors in listed companies and further strengthen trust in Indian capital markets.

**Q 97.B**

- Recently, **The Defence Research and Development Organisation (DRDO) successfully flight-tested High-speed Expendable Aerial Target (HEAT) Abhyas** from the Integrated Test Range in Chandipur, off the Bay of Bengal coast in Odisha.
- During the flight trial, High subsonic speed trajectory at a very low altitude with high endurance was demonstrated. Two boosters provided initial acceleration during launch and a small turbo jet engine is used to sustain high subsonic speed with long endurance. The indigenous data link designed by Bengaluru based Industry partner has been successfully flown and tested during the flight.
- **This indigenous unmanned aerial target system has been developed by Aeronautical Development Establishment (ADE), bengaluru based DRDO laboratory along with other DRDO laboratories.** The aircraft is controlled from a ground based controller and an indigenously developed MEMS based Inertial Navigation System along with the Flight Control Computer which helps it to follow the pre-designated path in a fully autonomous mode. **Hence option (b) is the correct answer**

**Q 98.B**

- The Work Participation Rate (WPR) is defined as the percentage of total workers (main and marginal) to the total population. **Hence, option (b) is correct.**
  - **Work participation rate = (Total Workers (Main+Marginal) / Total Population) X 100**
- The unemployment rate is the percent of the labour force that is without work.
- According to 2011, the Workforce Participation Rate at all India level is 25.51% for females and 53.26% for males. While there is no rural–urban gap for males (53%), there is considerable rural- urban gap for females (rural -30%, urban- 15.4%).

**Q 99.D**

- Statutory Liquidity Ratio (SLR) is the minimum percentage of deposits that the commercial bank maintains through gold, cash and other securities. However, these deposits are maintained by the banks themselves and not with the RBI.
- Every bank must have a particular portion of their Net Demand and Time Liabilities (NDTL) in the form of cash, gold, or other liquid assets
- The ratio of these liquid assets to the demand and time liabilities is called the Statutory Liquidity Ratio (SLR). The Reserve Bank of India (RBI) has the authority to increase this ratio by up to 40%.
- Section 24 and Section 56 of the Banking Regulation Act 1949 mandates all scheduled commercial banks, local area banks, Primary (Urban) co-operative banks (UCBs), state co-operative banks and central co-operative banks in India to maintain the SLR.
- **RBI has approved the following instruments under SLR:**
  - **Cash:** In computing the amount for the above purpose, the following shall be deemed to be cash maintained in India:
    - **Net balances in current accounts** with other scheduled commercial banks in India.
    - Any balances maintained by a scheduled bank with the Reserve Bank in excess of the balance required to be maintained by it under Section 42 of the Reserve Bank of India Act, 1934.
  - **Gold** valued at a price not exceeding the current market price
  - Investment in the following **Securities**
    - Dated securities
    - Treasury Bills of the Government of India;
    - Securities issued under the Market Stabilization Scheme
    - **State Development Loans** (SDLs) of the State Governments
    - Any other instrument as may be notified by the Reserve Bank of India.
  - Securities acquired under the Liquidity Adjustment Facility (LAF) are not be treated as an eligible asset for this purpose.
- **Hence, option (d) is the correct answer.**



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**Q 100.A**

- Recently, **the Defence Research and Development Organisation (DRDO) has successfully conducted maiden flight test of a new indigenously developed surface-to-surface missile 'Pralay'. Hence statement 3 is correct.**
- Pralay' i**s India's first conventional quasi-ballistic missile** and is an answer to any conventional missile attack from northern or western borders. A **quasi-ballistic missile has a low trajectory,** and while it is largely ballistic, it can maneuver in flight. **Hence statement 2 is correct.**
- The missile has been developed in a way that it is able to defeat the interceptor missiles and also has the ability to change its path after covering a certain range mid-air. It is powered with a solid propellant rocket motor and many new technologies. The missile guidance system includes state-of-the-art navigation system and integrated avionics.
- The missile has a range of **150-500 kilometre and can be launched from a mobile launcher. Pralay will be the longest-range surface-to-surface missile in the inventory of the Army.** The Army also has the BrahMos supersonic cruise missile in its arsenal, with a stated range of 290-plus kilometres. **Hence statement 1 is correct.**

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